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Daily Report

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Daily Report
Latin America

FBIS-LAT-96-107 *3 June 1996*

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Inter-American Affairs: Mexican Minister on U.S. Law, OAS

PA3105120496 Mexico City NOTIMEX in Spanish 2042 GMT 30 May 96

[By Edelmiro Franco]

[FBIS Translated Text] Caracas, 30 May (NOTIMEX) — Mexican Foreign Secretary Jose Angel Gurria today reported that the Helms-Burton law will be one of the top issues that will be discussed at the OAS General Assembly, which will open on 3 June in Panama.

The chief of Mexican diplomacy told NOTIMEX that this U.S. law is going to be a recurrent issue at the OAS meeting, at least in the speeches the foreign ministers of the countries making up the Rio Group will deliver.

Gurria recalled that at the Rio Group ministerial meeting held on 27 and 28 May in Cochabamba, Bolivia, the participants agreed to take advantage of the OAS meeting to discuss the rejection of the Helms-Burton law. In Cochabamba, they decided to create a working group to coordinate the Rio Group's joint actions against the law, including national and interregional actions and actions by, among others, the OAS, the United Nations, and the World Trade Organization (WTO).

The ultimate objective of the joint action against this U.S. law is to prevent real effects on the region's economies, "on the freedom of trade, and on the people's freedom to move," Gurria said.

The Helms-Burton law was a priority issue included in the agenda the Mexican foreign secretary followed during his visit to Venezuela and has been debated with the authorities of this South American country's executive and legislative branches.

Venezuelan authorities, Gurria affirmed, have welcomed Mexico's proposals on the Helms-Burton law, which violates public international law as it punishes the companies of third countries that negotiate with Cuba.

The Venezuelan parliament's leaders voiced their "profound interest in the actions that have been carried out in this regard and in exploring certain possibilities of drafting internal laws in order to defend our countries from this law's effects," the Mexican official pointed out.

One of the mechanisms that the region's countries are analyzing is the implementation of a kind of "mirror law," which is similar to the ones in effect in Canada and the United Kingdom and which consists of forbidding cooperation with U.S. courts seeking evidence to punish national companies. Making visas compulsory for representatives of U.S. companies conducting businesses in the region could also be put into practice.

The Mexican foreign secretary underscored that, in addition to the Helms-Burton law, the OAS Assembly will discuss issues that have to do with the fight against drugs, money laundering, corruption, and terrorism.

The inter-American forum also has the commitment, according to Gurria, to "further the OAS's desire to promote our countries' economic development and integration."

Gurria ends his two-day official visit to Venezuela today, 30 May, and will leave for Mexico City tonight.

Inter-American Affairs: U.S. Member of OAS Group Kidnapped

PA0106040896 Paris AFP in Spanish 0249 GMT 1 Jun 96

[FBIS Translated Text] Managua, 31 May (AFP) — U.S. citizen Sandy Garzon, member of the OAS election observers mission, was kidnapped by an armed group on 31 May in a community of northern Nicaragua, the Police reported.

Garzon was observing electoral activities when she was kidnapped at about 1600 (2200 GMT) in Campo Largo, Wiwili Municipality, about 230 km north of Managua, by two armed men known as "Pajarillo" and "Cobra," according to police spokesman Justo Zamora.

In exchange for her release, the kidnappers want the Supreme Electoral Council (CSE) to install a voting booth in an area of northern Nicaragua, which still lacks a voting center for the 20 October general elections.

According to Zamora, members of the OAS International Support and Verification Commission (CIAV) and Deputy Government Minister Frank Cesar, are negotiating the U.S. citizen's release.

The kidnapping occurred few hours before the start of the voter registration process in 26 northern municipalities. The preponderance of violent crimes in the area prevented the registration of potential voters.

Some 400,000 persons from this area must register at one of the 970 registration stations during the first two weekends of June to obtain their voter registration cards in order to exercise their right to vote.

Inter-American Affairs: Mexico's FM on Helms-Burton Law

PA0206230896 Mexico City NOTIMEX in Spanish 2021 GMT 2 Jun 96

[Report by Maria Lourdes Pallais]

[FBIS Translated Text] Panama City, 2 Jun (NOTIMEX) — The pledge that the OAS General Assembly

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will reportedly assume regarding inter-American integration is countered by the enforcement of the Helms-Burton law, which strengthens the U.S. economic embargo against Cuba.

The (Helms-Burton law's) basic problem, regardless of its legal aspects, is that it counters the efforts exerted for inter-American integration, Mexican Foreign Secretary Jose Angel Gurria asserted today when inaugurating the work that precedes the Assembly.

Gurria said: In addition to countering the integration pledge announced in April by Panama's Lawrence Chewning, chairman of the OAS Permanent Council, the law would disrupt the progress achieved regarding free trade, investments, and people's transit through the continent.

The Helms-Burton law, which strengthens the U.S. embargo that has been in effect for over 30 years against Cuba, "has precisely the opposite effect" on the integration results that the 34 members of the inter-American system seek to achieve at the 26th OAS General Assembly.

One of the priorities for the General Assembly that formally begins here tomorrow, Monday, is to achieve the economic and social integration of the countries in the inter-American system by 2005, with the Free Trade Area of the Americas (FTAA).

Furthermore, the region's foreign ministers met this afternoon, at the request of the United States, to analyze the efforts exerted to achieve the FTAA, before Deputy Secretary of State Strobe Talbott signed an inter-American document against corruption.

According to OAS sources, the United States' summons to the foreign ministers and the signing of the agreement against corruption counter the pledge that the organization has assumed for inter-American integration.

The installation of the Inter-American Council for Overall Development (IACOD) [Consejo Interamericano de Desarrollo Integral, CIDI] this morning, to which Gurria was unanimously appointed vice chairman, was also a step toward the achievement of the OAS's pledge for integration.

Mexican professor Leonel Zuniga said in his address on Sunday: The IACOD represents "a resurgence of inter-American institutions that will allow us to create an opportunity for coexistence and understanding."

Zuniga was elected executive secretary for overall development in the first IACOD meeting.

The forum seeks to become "the means to comprise policies of common interest; to encourage the free flow of persons, assets, and services; where joint economic security systems may be planned," he said.

Meanwhile, the Helms-Burton law seeks the opposite. For example, it states the idea included in the so-called Torricelli law — that the United States must withhold direct economic aid to nations that trade with Cuba.

The measure also instructs the U.S. Treasury Department to prevent international organizations like the IMF and the Inter- American Development Bank (IDB) from going to Cuba.

It also reasserts the opposition to the Caribbean country's return to the OAS.

The iniative from conservative U.S. Senator Jesse Helms and Republican Representative Dan Burton ratifies the decree that none of the United States' trade partners in the North American Free Trade Agreement (NAFTA) can be used as a stepping stone to import products from Cuba.

The Helms-Burton law, which has been rejected by the international community, authorizes U.S. Secretary of State Warren Christopher to ban from the United States anyone who has confiscated or withheld assets claimed by U.S. citizens in Cuba.

Most of the countries in the continent, led by Canada and Mexico, have stated their rejection of the U.S. initiative's implementation, due to its extraterritorial character and its apparent violation of international law norms.

Inter-American Affairs: L.A. To Denounce Helms-Burton Law

PA0306012796 Paris AFP in Spanish 2344 GMT 2 Jun 96

[Report by special envoy Enrique Guzman de Acevedo]

[FBIS Translated Excerpt] Panama City, 2 Jun (AFP) — Diplomatic sources told AFP on Sunday that Latin America is determined to denounce before the OAS General Assembly the damage that the Helms-Burton law inflicts on regional trade. The law was approved by the United States to strengthen its economic sanctions against Cuba.

The Latin Americans are supported in this endeavor by Canada, which expects Washington to exercise flexibility when enforcing the law, and by European Community observers, who also criticize the U.S. provision that calls for sanctions against third countries that trade with Cuba.

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The 14 Latin American members of the Rio Group, which also include a country representing Central America and another representing the Caribbean, are willing to state their concern in a draft resolution that will be submitted to the Latin American foreign ministers who will inaugurate the 16th OAS General Assembly on Monday.

Nevertheless, the sources stated their worry that the draft will not be approved because it lacks necessary consensus, but they emphasized that "the important thing is that Latin America's message in this concern will be sent from Panama to the White House."

The Rio Group's foreign ministers met on Sunday in Panama City to examine the problem that the region faces with the Helms-Burton law, which was signed in March by President Clinton, but they refrained from commenting on this issue to avoid disruptions in the negotiations. [passage omitted]

The Latin American countries most concerned about the issue, mainly Mexico, initially sought to add a paragraph to the Helms-Burton law in the so-called "Panama Consensus," which will be approved at the OAS General Assembly and that deals with issues of common interest in the region, but they later changed tactics and opted to draft a resolution in this concern.

The "Panama Consensus," to be signed by the foreign ministers, states the 34 OAS member countries' determination to intensify efforts at the national and regional level to increase Latin American national economies' ability to compete in the world markets, avoiding "the adoption of any measure or action that obstructs free trade."

Inter-American Affairs: OAS FM's Approve 'Panama Consensus'

PA0306014696 Panama City ACAN in Spanish 0018 GMT 3 Jun 96

[FBIS Translated Text] Panama City, 2 Jun (ACAN-EFE) — The foreign ministers of the 34 democracies in America today unanimously approved the "Panama Consensus" document, where they affirmed their commitment for "the integration and globalization" of the continent.

The document, drafted under the guidance of Panamanian Ambassador to the OAS Lawrence Chewning-Fabrega, states that the increasing globalization of international relations offers opportunities to improve peoples' living conditions, but at the same time poses challenges for both countries and regional organizations.

This integration process, regarded as the "adequate means" to face and overcome the new challenges, should avoid adopting any measures or taking any actions that could stand in the way of free trade.

The foreign ministers, who will participate in the 26th OAS General Assembly, to open in Panama tomorrow Monday, declare in the "Panama Consensus" that "concerted action among the governments is the only adequate means to face and overcome the globalization challenge."

According to the foreign ministers, multilateralism "is an essential instrument to promote peace, security, and development" of the American people.

The ministers declare that, through international cooperation, political dialogue, and a joint effort in the framework of full respect for the sovereign will of the governments, "multilateralism should be an effective instrument for realizing shared aspirations and meeting the challenge that the hemisphere confronts."

After expressing its "firm support for democracy and its determination to keep reinforcing it," the "Panama Consensus" document underlines the need to stimulate the proper operation of the Inter-American Council for Integral Development (CIDI).

In this regard, the document reports that "there exists in the region poverty and deteriorated living conditions, which represent challenges with which democracy must face, and whose overcoming demands renewed efforts in the social, political, and economic spheres."

In the end, the document, which the foreign ministers debated for several hours today, deleted a section asking the OAS Permanent Council to create a Special Panama Canal Commission, which would have been of a consultative nature.

Inter-American Affairs: C.A., Canada To Hold Economic Talks

PA0306022596 Panama City ACAN in Spanish 0101 GMT 3 Jun 96

[FBIS Translated Text] Panama City, 2 Jun (ACAN-EFE) — The Central American nations will hold an economic meeting with Canada this year, according to agreements reached today in Panama City during the OAS General Assembly.

Guatemalan Foreign Minister Eduardo Stein told ACAN-EFE that the meeting will be held in late August or early September of this year.

The summit was approved during an informal work meeting between the foreign ministers and Canadian representatives. The meeting was held during the preparatory sessions conducted today in this capital

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for the 16th OAS General Assembly, which begins tomorrow.

Stein explained that one of the suggestions is to hold the meeting immediately before 15 September, the projected date of the signing of the peace agreements that the Guatemalan Government is currently negotiating with the Guatemalan National Revolutionary Unity (URNG).

"We would gladly welcome the ministers to the meeting," the foreign minister added. He said Costa Rica has also offered to host the meeting.

Inter-American Affairs: FM's on Americas Summit Mandates

PA0206215596 Madrid EFE in Spanish
0847 GMT 2 Jun 96

[FBIS Translated Text] Panama City, 2 Jun (EFE) — The Foreign Ministers of America will assess today in Panama, compliance with the mandates of the Summit of the Americas, in which the ministers decided to initiate the integration process of the American continent, and will probably decide on whether to convene a new presidential summit meeting in Chile in 1997.

Before the meeting in Panama began, a number of inter-American diplomatic sources said that the ministers would discuss Chile's offer to host a future presidential "summit," which is certain to be approved.

The foreign ministers will pay special attention to trade integration, which all the hemisphere's governments considered a key issue.

Following meetings in Denver, Colorado (United States, June 1995), and Cartagena de Indias (Colombia, March 1996), the ministers received detailed information regarding progress made in this field, in which the OAS is conducting a significant study and giving support to proposals that seek to achieve a free trade area by the year 2000.

According to Marcel Salamin, general coordinator of the Conference's Organizing Committee, the foreign ministers meeting will begin with the establishment of the Inter-American Council for Overall Development (CIDI), the organization on which a large part of the integration of the continent will rest in the future.

The ministers will study the statutes of this new council and will begin to elect officials for the new organization, in which each nation will have one representative. According to Salamin, this means "the beginning of the renewal of the OAS."

According to acting Foreign Relations Minister Ricardo Arias, the transition process of the OAS from its old structure to a new structure that will have to manage economic matters, integration, trade, and the globalization of the opening of markets, which will occur in Panama.

Nevertheless, all of this work must focus on the resulting challenges, for example, the critical poverty that prevails on the continent.

According to the OAS Charter, the CIDI must submit to the General Assembly a "strategic plan that outlines policies, programs, and action plans regarding cooperation for overall development."

The CIDI's principal areas of action are social and economic development, including trade, tourism, integration, and the environment; the improvement and extension of education at every level; and the development of scientific and technological development.

It will also be in charge of strengthening the American people's civic-mindedness as a basic aspect for the effective exercise of democracy and respect of human rights and duties.

According to the Panamanian organizers, the General Assembly that will convene tomorrow in Panama will be a meeting of "globalization and multilateral issues," meaning "the need for reforms and realignment within organizations like the OAS, to recover the sovereignty that the United States is transferring toward the international scene."

Upon conclusion of their meeting, the foreign ministers will leave a draft document, the "Panama consensus," which will be approved at the end of the General Assembly and in which the 34 countries will reaffirm their pledge to the continent's "integration and globalization," because this is the "suitable means" to face and overcome new challenges.

Inter-American Affairs: Convention on Corruption Signed

PA0306005696 Panama City ACAN in Spanish
2257 GMT 2 Jun 96

[FBIS Translated Text] Panama City, 2 Jun (ACAN) [dateline as received] — The United States strongly supported the struggle against corruption on the continent by endorsing today, Sunday, in Panama City, the Inter-American Convention Against Corruption, an instrument that is expected to become a "key" issue in the struggle against this world vice.

The document was signed by U.S. Deputy Secretary of State Strobe Talbott in Panama City. Talbott leads the U.S. delegation that will participate in the OAS General Assembly, starting Monday.

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Upon signing the document, Talbott indicated that "corruption goes against everything we want to achieve" and, therefore, he considers it very important to declare all-out war until that system is eradicated from the continent.

The OAS member countries approved the Inter-American Convention Against Corruption on 29 March in Caracas. The document establishes the groundwork to jointly struggle against those who loot the state treasury.

The document, acknowledged that "the continent's first firm step against the cancer of corruption," was prepared under Venezuelan President Rafael Caldera's leadership, who pledged during the Summit of the Americas (December 1994) to champion the struggle against corrupt people.

Twenty-one of the OAS' 34 active member countries signed the document in Caracas — this does not mean they have ratified it — but others, like the United States and Canada, did not sign it due to their internal laws.

That is why the United States has now signed the document that must be ratified by the U.S. Congress, and by each and every one of the countries in the continent who have signed it, before it can go into effect.

The Convention Against Corruption will become effective 30 days after the corresponding ratification, or adherence, is signed by the member states.

In other words, before the convention's principles affect a given OAS member state, it not only has to subscribe to, but also ratify the document. Therefore, the document's provisions only affect the countries that have ratified it.

When the convention was drafted, it also stated "deep" concern over the increasingly closer ties between corruption and the income from illegal drug trafficking.

The accords within the convention include a prohibition and fines to public officials who participate in international bribery, the adoption of a legislation in each country declaring illegal enrichment a crime, and cooperation among states to extradite corrupt individuals.

The convention, which was initially meant for public officials, was broadened to include people involved in "official government" activities and "public employees."

Although corruption is in no way exclusive to America, the truth is, according to the latest report issued by the organization International Honesty (TI) in Berlin, Venezuela, Colombia, Brazil, Ecuador, Mexico, Bolivia, and Argentina are some of the most corrupt nations in Latin America.

According to the report, on a scale from one to 10, which denotes honesty, Chile (6.80 points) is the only Latin American nation in which corruption is not the norm. According to TI, the same cannot be said about other countries like Argentina (3.41), Bolivia (3.40), Mexico (3.30), Ecuador (3.19), Brazil (2.96), Colombia (2.73), and Venezuela (2.50).

The convention must first be endorsed by the congress of at least two countries before it is ratified, and their foreign ministries must subsequently submit the documents at the OAS.

Inter-American Affairs: Rights Groups on Anti-U.S. Protest

PA0306010496 Paris A. 'P in Spanish 2326 GMT 2 Jun 96

[FBIS Translated Text] Panama City, 2 Jun (AFP) — Leaders of human rights groups in Panama have announced anti-U.S. protests for this week, to coincide with the 16th OAS General Assembly in this capital.

The demonstrations will be conducted before the OAS to demand that the United States withdraw its troops from the Panama Canal and that it pay a compensation to the victims of the military intervention carried out by that country on 20 December 1989 to oust General Manuel Antonio Noriega.

The protests, to be carried out separately and on unspecified dates, were announced by the so-called Committee of Truth, which is comprised of victims, victims' relatives, and businessmen affected by the military intervention, and the People's Coordinating Board for Human Rights in Panama (COPODEHUPA).

COPODEHUPA's spokesman, Father Conrado Sanjur, told AFP that his organization will lead the protest, which will be supported by six more groups, to "warn" about the United States' intentions of keeping troops in the Canal beyond 2000, countering what is stated by the 1977 Torrijos-Carter Treaties.

Sanjur said that the struggle against drug trafficking and regional security are excuses used by the United States to maintain its military presence in the region.

According to the priest, the OAS' Inter-American Human Rights Committee has yet to issue a statement on the lawsuit filed in 1990 by 272 persons who were affected by the U.S. military intervention.

Likewise, he said there are an additional 2,000 "well-documented" cases that were also submitted to the OAS committee.

Commission of Truth spokesperson Yolanda de Varcacia told AFP her organization will also have a hearing

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at the OAS General Assembly to outline its demands against the United States.

"There are missing people, there are disabled people, we have blind and mutilated victims, and we will present them to the OAS's foreign ministers," she warned.

Varcacia said that a communique will be delivered and photographs of the victims and people affected by the military intervention will be distributed during the protests.

The 16th OAS General Assembly will be inaugurated on Monday and it will conclude on Friday.

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Cuba

Cuba: World Reaction to U.S. 'Imperial Decree' Urged

PA0106222696 Havana PRENSA LATINA in Spanish 1843 GMT 1 Jun 96

[By Javier Rodriguez: "Robaina: It Is Now Up to the World to React to Blockade on Cuba"]

[FBIS Translated Text] Havana, 1 Jun (PL) — Through its Foreign Minister Roberto Robaina, Cuba said today that it is now up to the world now to react to what he described as the imperial decree issued to stiffen the blockade on Cuba.

Talking to PRENSA LATINA, the foreign minister noted that at present, the whole planet is becoming aware of what it is to suffer the extraterritorial nature of a U.S. law, referring to the Helms-Burton law "and perhaps the suffering Cuba has endured for 37 years will be better understood."

When asked how the foreign news media views the lack of an official reaction to the start of the implementation of this legislation and to the intimidating letters sent to companies that do business with Cuba, he said that now the whole world is protesting these violations of its sovereignty.

"The hunt has started and even if it was announced, it is still a surprise to many because it is difficult to fathom that reality is far more cruel than the unknown," he stressed.

Robaina noted that those who regard themselves as the fathers of free trade incorporated the principle of intimidation into commercial relations "with black lists and imperial letters," which hurl threats like those aimed at children to make them behave or face punishment.

The minister explained that while the U.S. State Department and diplomats are acting like world policemen, the Cuban Foreign Ministry is busy with its plentiful missions.

"The U.S. diploagents [diploagentes] have the difficult task of explaining the unexplainable — like an executioner explaining to a convicted person that he will try to make the guillotine less painful," he stressed, referring to the talks Washington has had with its allies seeking to diminish their protests.

Robaina said that this shows the sordid nature of the U.S. policy, especially if it held hostage to the elections carnival, and he described as disgraceful the alleged withdrawal of any company from the island as a consequence of a law that will never be successful.

For us, Robaina added, the news will never be that some company is withdrawing, but rather that a very large number of companies are keeping their businesses here, that companies are signing accords, and that more are coming. The news is that economic terrorism on a worldwide scale has been unleashed. Further on, the senior official commented on the different forms of associations and businesses his country is maintaining, which include the right of any of the sides to withdraw whenever it deems it most appropriate to its interests. To those claiming victory when successful in getting any company to renounce doing business with Cuba, I would say that in this case the only thing that has triumphed is hatred and revenge, since there is little doubt what the United States wants from Cuba, he stressed.

He explained that Washington is proving that it is not seeking changes, opening, or pluralism in Cuba, but rather subservience, and in view of the [Cuban] refusal, the plan is to try to destroy the country.

They will never accept us even as a joint venture, since their dream for over two centuries has been to have us as their private property. But in this country we have no associated, confederated, or joint sovereignty, since sovereignty is 100 percent Cuban, he affirmed.

After explaining that Cubans decide, discuss, and approve the changes and the processes to adjust the economy, Robaina pointed out that U.S. businessmen should be concerned since their government is denying them the freedom to engage in trade and invest.

The best way for us to condemn and protest against the Helms-Burton law is to work successfully and inspire confidence in us to those who are defying it with their words and deeds, by reiterating to businessmen, companies, and foreign governments to have confidence in the irreversible process of opening and adjustment that Cuba has started, he said.

In Robaina's opinion, this process will be conducted at a pace and with a scope agreed on by Cubans and also by those businessmen who decided to accompany the people of Cuba with a courageous attitude. He reiterated that those businesses are backed by Cuban capital, enterprises, and properties, since "we do not have former U.S. properties here."

He asked the world to be understanding now that the Antillean island will implement an economic opening in silence, recalling forefather Jose Marti who explained that in order to achieve some things one had to move in the dark.

It seems that our destiny is to move forward, while hidden underground, opening up an immense path to life and the future, the foreign minister concluded.

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Cuba: U.S. Broadcasts, Helms-Burton Law Protested

PA0206223396 Havana PRENSA LATINA in Spanish 1538 GMT 30 May 96

[FBIS Translated Text] Abuja (Nigeria), 30 May (PL) — Cuba has warned about the dangerous precedents the application of the Helms-Burton law by Washington, approved to tighten the blockade against the Caribbean island, will hold for the future of third countries.

During the meeting of the intergovernmental Council of Ministers for Information and Communication of Nonaligned Movement [NAM] countries, the Cuban delegation also denounced the radio and television attack launched against their country from U.S. territory.

Enrique Roman, head of the delegation, stressed the threat to the culture and national identity of the people posed by the globalization of information and communications in an unipolar world.

Roman related the unilateral nature and impunity taking place with the globalization of communications to what is occurring with international ties, and spoke of the dangerous precedent of the extraterritoriality in the U.S. Helms-Burton law.

The president of the Cuban Radio and Television Institute warned about the seriousness in the increase of radio and television broadcasts from the United States, which constitute an attack through the airwaves.

In addition, the official called on meeting participants to take advantage of the contemporary technological advances on the basis of the development of the initiative and intelligence of information professionals.

The Cuban representative to the intergovernment meeting underscored the need for a strong and united NAM, which promotes effective and concrete measures to face the challenges of what he termed a dramatic end of the century.

Cuba: Commentary Views Enforcement of Helms-Burton Law

PA0206025296 Havana Radio Havana Cuba in Spanish 0000 GMT 2 Jun 96

[Station commentary by Norberto Hernandez; from the "Evening Information Review" newscast]

[FBIS Translated Text] Since it was promulgated some two months ago, the Helms-Burton law has been rejected by governments, parliaments, constitutions, and personalities from numerous countries. The tightening of the economic embargo against Cuba through this recent legislation includes penalties against countries and businessmen that keep relations with Cuba, as if those governments were subject to U.S. authority.

In an agreement signed by the country's leading political parties, the Mexican Parliament this week agreed to condemn the enforcement of the Helms-Burton law saying it violates both Mexico's national sovereignty and international law. Mexico is one of the countries with considerable investments in Cuba with, among other things, the local telephone service, formerly owned by U.S. enterprises. The Mexican Government has just advised Washington that it will make efforts and adopt measures to combat the extraterritorial enforcement of the law slated for the coming August. This week, the U.S. State Department started to mail warning letters to Canadian, Mexican, and European enterprises that maintain economic relations with Cuba.

Openly contradicting its self-proclaimed freedom of trade, the U.S. Government attempts to intimidate the businessmen who have invested or plan to invest in Cuba. It is difficult to conceal the intention to preserve the promising Cuban market so U.S. enterprises can take advantage of it through the illusory defeat of the Cuban revolution, feverishly sought by the empire. The U.S. Government wants to clear the way so the old exploiters of Cuban resources can return and resume the looting of this country as they did in the first half of this century.

The Helms-Burton law has also been rejected by governments that outwardly do not sympathize with Cuba and endorse the U.S. Government's interventionist arguments. It would be enough to mention facts like these to show that the intention to extend the effect of U.S. laws, as in the old colonial empires, cannot be accepted by any country that respects its own independence and sovereignty.

Sending threatening letters to those who can be intimidated in itself constitutes truly an insult underlined by arrogance. In view of the U.S. Government's reiterated and stubborn position, the governments of Mexico, Canada, and the European Union have warned the U.S. authorities that they will adopt measures, and even take reprisals, if penalties are applied against the enterprises of those countries that maintain ties with Cuba in accordance with bilateral agreements.

The situation created by the U.S. Government's stubborn hostility against Cuba threatens to exceed all limits. The governments and countries that feel affected by U.S. laws will not likely and should not be expected to surrender their sovereign rights to Washington's irrational arrogance. Anyway, the solution of this situation is not far, one way or another.

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Cuba: Canada To Criticize U.S. Law at OAS Meeting

PA0206144996 Havana Radio Havana Cuba in Spanish 1300 GMT 2 Jun 96

[From the "Morning Information Review" newscast]

[FBIS Translated Excerpt] [passage omitted] Canadian OAS Ambassador Brian Dixon has said that Canada will issue a statement during the 26th OAS meeting against the implementation of the Helms-Burton law, which intends to sanction nations that have trade relations with Cuba.

Dixon said that relations between Havana and Washington are a bilateral issue that should be solved between the two countries without affecting third countries. [passage omitted]

Cuba: Panama Official Rejects Helms-Burton Law

PA0106031296 Havana Radio Havana Cuba in Spanish 0000 GMT 1 Jun 96

[Report by Panama City PRENSA LATINA correspondent Enrique Torres de la Torre]

[FBIS Translated Text] The Panamanian Chamber of Commerce, Industries and Agriculture today categorically rejected the Helms-Burton law; a U.S. measure that intends to step-up the economic and commercial blockade against Cuba.

In statements to PRENSA LATINA, Juan Jose Vallarino, president of this association, expressed his opposition to such practices and ratified each country's right to negotiate with whoever it considers to be a trading partner. [Begin Vallarino recording] We totally disagree with this law. I believe that international trade should be open and should allow each to chose its best possible negotiation and to also seek new businesses with certain governments, certain products, and with certain entrepreneurs. What is very important to us is that this law is going to affect the Colon Free Zone. This is why we totally disagree that the U.S. Government can dictate rules on how we should market our products. I believe each country has the right to market its own products. As each country markets its products it seeks the best options and the best mechanisms for the good of their business. [end recording]

Vallarino also believes that if the law is fully implemented it will have a considerable affect on the Colon Free Zone. Consequently, the Free Zone businessmen and the Panamanian Government itself must maintain a clear and defined position regarding this problem.

In the opinion of the Chamber of Commerce president, it is possible that this law will not have the effect that the United States seeks, because the great majority of industrialized countries support the rights of their enterprises to negotiate with the island provided Cuba offers the facilities and expected profit margins.

Likewise, Vallarino questioned the contradictory U.S. policy, because on the one hand the U.S. Government speaks of trade opening, and free markets, while on the other hand, it decrees legislation that dashes all these principles.

[Begin Vallarino recording] We are talking about [trade] opening, we are speaking of globalization, world economic policies. I believe that not allowing this means going against a world reality that is taking place. On the one hand, the North Americans tell us about one position — that we should open borders, free tariffs, that we enter a competitive world — but in this case, they do not allow us to do this with this island because at a given a moment they [the U.S.] have a certain position. [words indistinct]. [end recording]

The Panamanian Chamber of Commerce, Industries, and Agriculture is one of the country's main private enterprise associations. It groups together representatives of more than 1,000 production and service companies.

Cuba: Tactical Military Exercises To Begin 1 Jun

PA0106024796 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 1 June 96

[From the "NTV" newscast]

[FBIS Translated Text] Beginning tonight and continuing until 6 June, tactical bilateral exercises with the participation of MTT [Territorial Troops Militia] units, production and defense brigades, and regular troops will be conducted in the Western Army's territory. Details were being cemented this afternoon [words indistinct]. This will make it possible to reinforce the defense of the capital and its roadways.

Tonight's exercise includes a simulated air attack with bombs, penetration of enemy defenses with tanks and armored personnel carriers, and the occupation of a residential area. The militia will react to and annihilate the simulated enemy, just as it would in an actual attack.

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Cuba: Castro Addresses Sugar Workers on Harvest 'Feat'

PA3105181596 Havana Cubavision Network in Spanish 0029 GMT 31 May 96

[Speech by President Castro at the Fernando de Dios Agro-Industrial Complex, CAI, in Holguin Province; date not given — recorded]

[FBIS Summary] The crowd chants "Fidel, Fidel, Fidel, Fidel..." as President Castro begins his 31-speech speech by saying that "today is the day of Holguin." He notes that "a few days ago you fulfilled your sugar production target of 44,285 tonnes." Castro then notes other CAI's recently met their production quotas. He states: "We cannot talk about the sugarcane harvest in Holguin Province without remembering the Fernando de Dios CAI."

Castro continues by pointing out that "we are living a difficult period. These are difficult times, in which an extra effort is required." He then recalls the accomplishments of the Fernando de Dios CAI in the 1970 sugarcane harvest. Fidel talks about the different varieties of sugarcane processed in this facility. He also notes the adversities posed by weather conditions and other factors during the recently concluded harvest. Castro reports that, "since we are friends and we must speak with the truth, technological discipline in production was lost, to some degree." He continues by saying that "we are now reversing that trend, recovering lost habits."

The Cuban president adds "we are designing a model of combines that has a sugarcane top-cutting device." He notes this machine facilitates the expulsion of leaves and has "more powerful engines." Castro adds that currently an effort "is under way" to study what our industry can do to increase the number of towing equipment, carts. He remarks "these hydraulic equipments make the life of sugarcane cutters easier." He says "there is a series of factors that can allow us to increase the yield in sugarcane fields."

Castro says "we must continue to improve irrigation in this region" to obtain better yields. Fidel notes all of the measures being applied to improve the sugar industry "will gradually yield results." He points out "there has been an increase in morale among workers, and I believe this has been one of the most important factors in this sugarcane harvest, during this special period." He states the people "have done their best" to have a good harvest, praising workers at the Fernando de Dios CAI.

Castro adds that for 57 months this facility "surpassed" the potential for grinding, which he terms an "extraordinary feat." He argues that heavy rains delayed the harvest in this province, "in a region not characterized by heavy rains. The same thing happened in Las Tunas Province."

Castro tells workers that "thanks to your quick reaction, your ability to overcome difficulties, you have succeeded in this harvest." He expresses confidence sugar production targets will be met, "provided that no heavy rains occur."

Castro stresses that thanks to the efforts of workers, "the country was able to produce 4.4 million tonnes of sugar." He adds: "This is a cause of satisfaction for the entire country, this is a cause of admiration for you, this is a cause of support, affection, and gratefulness for sugar workers."

Castro then refers to the unpredictability of weather conditions and how it may affect harvest efforts. Addressing workers, Castro expresses: "You deserve the warmest congratulations for the effort done." He affirms that the sugarcane workers still in the field will follow the same example set by workers in Holguin Province. And he continues: "With patriotism, we will be able to defeat that great superpower, which hopes to bring us down, which hopes to starve us to death." Castro explains that "once more, we will show them how firm, patriotic, and decided Cubans are, from Maisi Point to San Antonio Cape." He notes this "special patriotism" originates in workers.

He states that in the past, "slaves were brought in to cut sugarcane," adding that "today our sugarcane is more honest, more dignified; it is sweeter." Castro again stresses the need to have more transportation equipment so that the combines do not remain idle. He reports that the communications system in the sugar industry will be improved next year as well. He says two million people in Cuba live off the sugar industry.

Castro wraps up his speech by thanking workers "on behalf of the fatherland," and concludes: "Socialism or death; fatherland or death; we will win!"

Cuba: Roundup of Politburo Members' Activities

PA3105121096

[FBIS Report] The following is a compilation of reports on the activities of Cuban Communist Party Central Committee Politburo members monitored through 30 May.

NELSON TORRES visited the Holguin provincial newspaper AHORA. He wrote a note to the men participating in the sugarcane harvest, urging them to increase their efforts and discipline. He also said that the workers in TRABAJADORES should serve as an example. (Havana Radio Rebelde Network in Spanish 1700 GMT 21 May 96)

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PEDRO ROSS LEAL visited several sugarcane processing mills in Holguin Province and announced that those who heroically participate in the completion of the sugarcane harvest in northeastern Cuba will receive recognition. (Havana Radio Rebelde Network in Spanish 1700 GMT 24 May 96)

RAUL CASTRO will participate in a national workshop of municipal delegates of the agricultural ministry to be held until 27 May. During a meeting to discuss enterprises that store agricultural products from mountainous areas, Castro said that everything not working must be corrected. (Havana Radio Rebelde Network in Spanish 1155 GMT 25 May 96)

In Las Tunas Province, PEDRO ROSS LEAL awarded banners to two sugarcane-cutter brigades. In Holguin, he underlined the importance of being victorious with regard to the sugarcane harvest. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 27 May 96)

JOSE RAMON MACHADO welcomed Julio Gongano Braga of Mozambique and Jose Eduardo Tobar Fierro of Ecuador, who presented credentials as new ambassadors. ROBERTO ROBAINA was present during the ceremony. (Havana Cubavision Network in Spanish 0000 GMT 29 May 96)

Dominican Republic

Dominican Republic: Balaguer Announces PRSC-PLD Alliance

PA3105121696 Paris AFP in Spanish 2148 GMT 30 May 96

[FBIS Translated Text] Santo Domingo, 30 May (AFP) — Conservative President Joaquin Balaguer on 2 June will attend the event in which his Social Christian Reformist Party (PRSC) will make official an alliance with the centrist Dominican Liberation Party (PLD) for the 30 June runoff elections.

Acting PRSC President Donald Reid Cabral confirmed that Balaguer will attend this event, in which they will attempt to defeat social democrat Jose Francisco Pena Gomez, the candidate from the Dominican Revolutionary Party (PRD), who garnered 45 percent of the votes cast during the 16 May first round of presidential elections.

In the first round of elections, centrist candidate Leonel Fernandez obtained 38 percent of the votes, while Jose Peynado, from the ruling party, barely obtained 14 percent of the votes and was left out of the runoff elections.

The announcement making official the alliance between the PRSC and the PLD was made today following a plenary meeting by the PRSC National Directorate in which Balaguer was granted broad authority to reach a consensus with Fernandez.

Meanwhile, the PLD is immersed in the organization of a mass event in which the coalition will be announced. This event will take place at the Sports Palace located in downtown Santo Domingo.

These elections were pushed forward two years, following the reports of fraud in the May 1994 elections, which Balaguer won with a less than 1-percent advantage over Pena Gomez.

In order to overcome the serious political crisis that ensued then, consecutive presidential reelections were also banned, and it was agreed that the electoral system, which used to follow the simple-majority principle, would be reformed.

The winner in the elections must replace Balaguer, who has ruled the Dominican Republic for 24 years since 1960, for a four-year period starting on 16 August.

Dominican Republic: Balaguer, Bosch Sign Pact To Stop Pena

PA0306021296 Paris AFP in Spanish 2336 GMT 2 Jun 96

[FBIS Translated Text] Santo Domingo, 2 Jun (AFP) — The Dominican Republic's two historic rivals, conservative President Joaquin Balaguer and former leftist President Juan Bosch, today signed a pact to stop the presidential candidacy of social democrat Jose Francisco Pena Gomez.

Pena, a black leader from the Dominican Revolutionary Party, must vie for the presidency with centrist Leonel Fernandez, from the Dominican Liberation Party (PLD), during the 30 June runoff elections.

In the pact signed today, Balaguer pledged the support of his Social Christian Reformist Party (PRSC) to PLD's Fernandez with the creation of a "patriotic front." The signing of the pact took place at the Sports Palace, in downtown Santo Domingo, before approximately 15,000 active party members who waved red and violet flags, which are the two parties' colors.

In speaking to the crowd, Bosch, who has vied for the presidency with Balaguer on several occasions and who even reported an "enormous fraud" in the elections when he lost to the president in 1990, maintained that "the Dominican people have the responsibility to choose between two paths: one good and one bad. Only Fernandez represents the good one."

In a similar tone, Balaguer said that "one path leads to chaos and disorder and the other, to democracy,

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progress, and stability." In his speech, Balaguer pointed out that for the first time in the Dominican Republic, a pact is signed "based on patriotic reasons, not on the distribution of the budget. He also alluded to reports stating that Pena is of Haitian descent.

"We must prevent the Dominican Republic from falling into hands that are not really Dominican hands," Balaguer affirmed, while voicing his wish of having "the pleasure of continuing to be a Dominican on Dominican land."

However, the absence of Vice President Jacinto Peynado, the PRSC presidential candidate who was left out of the election race, as he came in third in the 16 May first round of elections with 14 percent of the vote, was noted.

On 1 June, Peynado stressed that he would support neither Fernandez nor Pena, who garnered 38 and 45 percent of the votes, respectively, in the first round of elections.

The Dominican elections were advanced two years, following the serious political crisis triggered by the elections of 1994, when, amid reports of fraud, Balaguer triumphed over Pena with a difference of less than 1 percent.

Haiti

Haiti: Preval, Lawmakers Discuss Public Safety Issues

PA3105162596 Port-au-Prince Signal FM Radio in Creole 1130 GMT 30 May 96

[From "The 0730 Appointment Newscast"]

[FBIS Translated Text] President Rene Preval had a new working session at the Port-au-Prince police station on 29 May. The head of state met with Police Superintendent Jean-Lyonel Trecil, National Police General Director Pierre Denize, and some Haitian lawmakers. Public safety in Haiti was the main issue of the discussions. The head of the executive did not hide his concern about what has happened in Port-au-Prince over the past few days. Rene Garcia Preval, who was talking about the kidnapping of young Borris Pautynsky, the six-year old boy, was there with the boy's parents. The head of the executive says he is determined to restore order and public safety in Haiti.

[Begin Preval recording] [Words indistinct] Pautynsky is somebody I know. I worked for him, in his factory. I also worked for Behrman [maiden name of Borris Pautynsky's mother] as well, in the factory. They are people I know. Even if I did not... [pauses] it hurts you even more when you know the person. You a see a father suffering and that is hard because... [pauses] Well, I believe all fathers and mothers can understand what feelings you can have, even if you are head of state, when you have a child in this situation. You are at loss for words, you cannot find words in such a situation. While I am here, the mother of policeman Chery is in my office which I left because I had an appointment at 1100. I left her in my office with the people who are taking care of certain things she asked me to take care of for her. [end recording]

This was a statement by the Haitian head of state, President Rene Garcia Preval at the Port-au-Prince Police Station.

Haiti: Deputy Says Government To Fight Insecurity

PA3105162796 Port-au-Prince Signal FM Radio in Creole 1130 GMT 30 May 96

[From "The 0730 Appointment Newscast"]

[FBIS Translated Excerpt] The National Police found the vehicle in which little Borris Pautynsky was last seen. According to confirmation by the Port-au-Prince police superintendent, Jean- Lyonel Trecil. They managed to arrest two suspects as part of the investigations they are carrying out on the deaths of three persons, including a Port-au-Prince policeman, at the beginning of the week. Superintendent Trecil announced that they managed to seize several illegal firearms in Port-au-Prince. These arms were seized during a search operation carried out by the police and other forces, according to what Port-au-Prince Police Superintendent Jean-Lyonel Trecil said. [passage omitted]

In the opinion of Deputy Alix Fils-Aime, president of the interior commission at the Chamber of Deputies, who participated in the meeting with the Haitian head of state, President Rene Preval and the police officials in Port-au-Prince, the tripartite meeting allowed them to assess the country's situation as regards security. According to the deputy, the Haitian Government is working very hard to guarantee the safety of all citizens in the country.

[Begin recording] [Fils-Aime, in progress] ...just an assessment meeting of the security situation.

[Unidentified reporter] But what about it exactly?

[Fils-Aime] Well, as you heard, the government is working so as to fight insecurity.

[Reporter] What concrete measures will be taken?

[Fils-Aime] I cannot discuss them, I do not know, I did not look into the concrete measures of the police.

[Reporter] What did you tackle during the discussions?

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[Fils-Aime] We were assessing the security situation. [end recording]

These were statements by Haitian Deputy Alix Fils-Aime who participated in the meeting. We are informing you that 48 hours after the kidnapping in Petion-Ville of young Borris Pautynsky, a six-year old boy, grandson of Haitian businessman Karl Berhman, he has not been found yet despite the search operations. The search, which began a day ago, is being conducted by the national policemen who are supported by the soldiers of the UN Mission in Haiti. The operation was set up in order to find the assassins of policeman Valcourt Desir, an agent grade 4 who was quartered in the Delmas police station, and who was shot to death in Port-au-Prince on the night of 27 May. [passage omitted]

Haiti: Police Announce Arrests of Militant, Ex-Officers

PA0106160796 Port-au-Prince Signal FM Radio in Creole 1130 GMT 31 May 96

[From "The 0730 Appointment Newscast"]

[FBIS Translated Excerpt] Nine people, including a radical militant and two former junior officers of the Haitian Armed Forces, were arrested over the last 24 hours in Port-au-Prince. The arrests followed the death of a policeman and the kidnapping of a boy, who is the son of an important businessman in Haiti, according to what the police announced today in Port-au-Prince.

The head of the Port-au-Prince police station said that Eddy Moise, one of the officials of a radical organization, the United Militants Front, FMR, which is linked to Libya, was arrested on 30 May with two other people. There was a warrant for his arrest from the Justice Department for association with criminals, kidnapping, robberies, and destabilization of the government, according to what Superintendent Jean-Lyonel Trecil said.

He is allegedly involved in two cases that are currently being investigated, according to the police official. Eddy Moise, who is leading the FMR with his brother [Patrick Moise], was released not long ago after his imprisonment that was related to the inquiry into the death of an opponent of former President Jean-Bertrand Aristide, Lawyer Mireille Durocher Bertin, who was assassinated in Port-au- Prince on 28 March 1995 by an armed commando.

On 29 May, still related to the investigations into the death of a policeman and the kidnapping of a child, six suspects, including a former lieutenant and a former sub lieutenant, were arrested, according to what Mr. Trecil adds. [passage omitted including previously filed material]

Haiti: Preval Seeks Help of People To Stop 'Insecurity'

PA0106190296 Port-au-Prince Signal FM Radio in Creole 1130 GMT 31 May 96

[From "The 0730 Appointment Newscast"]

[FBIS Translated Text] On 31 May, the mayor of Chansolme died. The Haitian head of state and the prime minister went to pay their respects.

On this occasion, President Preval asked for the help of the entire population to thwart the climate of insecurity that is developing in the country. According to the Haitian head of state, the situation that is now developing in the country is the remnants trailing behind from the coup d'etat [se res koudeta a ki ap trennen].

The Haitian head of state made this statement after he prayed in front of the corpse of Chansolme Mayor Mrs. Erla Jean Francois, who was killed in the morning by armed bandits. The Haitian head of state was accompanied by Prime Minister Rosny Smarth and the president of the National Assembly. The head of the executive has asked for a national funeral to be held for the mayor. While asking that this day be a day of thought, Preval clearly said that the government will not be able to put an end to the insecurity phenomenon without the help of the population.

[Begin Preval recording, in Creole, in progress] ...population [applause] does not get together to solve this problem. The executive will not be able to solve it by itself. We say first that this insecurity is a consequence of the coup d'etat because in 1991, before the coup d'etat, there was no insecurity. So, it is a left- over coup d'etat that is trailing behind. The Haitian people fought against this coup d'etat. To remove the insecurity that the coup has installed, the unity that we reached while fighting against the coup d'etat must be found again.

The Constitution, the Haitian law, says once somebody is caught in the action, anybody can arrest him. The population must not run away for fear. I do not ask them to arrest armed people as their lives may be in danger, but they can organize themselves to protect themselves in conjunction with the police. [end recording]

We recall that the mayor of the little town of Chansolme was shot and killed on the morning of 30 May. The murder was committed by strangers who afterwards ran away. The mayor was in a vehicle at the Port-de-Paix bus station when armed individuals shot her. Nobody knows the reason for this assassination.

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Haiti: National Police Arrest Suspected Murderer

PA0106175996 Port-au-Prince Signal FM Radio in Creole 2100 GMT 31 May 96

[From the "Signal Current Events" newscast]

[FBIS Translated Excerpt] The national police are making roundups in various places. Arrests have been made that are related to the investigations into the murder of Policeman Valcourt Desir and also into the kidnapping of Borris Pautynsky. About nine arrests have already been made. The Haitian National Police, however, carry on with the roundups.

The police have arrested Mr. Milot Lapointe, one of those suspected of killing Mr. Francis Lyzaire on the afternoon of 28 May in the downtown area. Lyzaire was the owner of an office in the Rue Lamarre area, near Promo Bank, in Lalue, where he was shot and killed. Armed individuals shot him, and another person died as well under the same circumstances. This other person, who has not been identified until now, was shot and later died at the hospital.

This alleged murderer has been arrested in his home due to details provided by witnesses who saw the vehicle used to carry out the murder. He had about U.S. $4,000 in addition to 5,000 gourdes in his hands when the police entered his home. This is further evidence, according to sources close to the police, that shows that he participated in the assassination of the two people in Lalue on the afternoon of 28 May. [passage omitted including previously filed material]

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Mexico: Antidote to Helms-Burton Law To Be Drafted

PA3105152196 Mexico City XEW Television Network in Spanish 0330 GMT 31 May 96

[From the "24 Hours" newscast]

[FBIS Translated Text] The Mexican Congress is drafting a law to protect our country's trade against the threats posed by the U.S. Helms-Burton law. The Mexican legislation is already known as the blockade or antidote law. Calling a special period of sessions of the Mexican Congress to approve that blockade or antidote law against the Helms-Burton law will depend on a consensus between the Secretariats of Foreign Relations, Commerce and Industrial Development, the Congress of the Union, including the four political parties, and business organizations.

A consensus is necessary because there are Mexicans who would prefer that the measures to protect Mexican interests against the Helms-Burton law be adopted within the parameters stipulated in NAFTA to resolve controversies. Although it has not been made public, it is a well-known fact that a document has already been drafted containing the opinions of interested parties in Mexico that could be the basis for a draft bill.

PRI [Institutional Revolutionary Party] Senator Jose Murat, president of the First Section of the Foreign Relations Committee of the Senate, has commented:

[Begin recording] [Murat] We must take action. The time is right. I am under the impression that there is a consensus among Mexican legislators from all political forces on the need to act. It is time for the Mexican Congress to draft a law that will block the Helms-Burton law.

[Unidentified reporter] What kind of measures?

[Murat] For example, based on the Helms-Burton law, certain judicial measures will be implemented against businessmen or companies that have business ties with other nations, in this case with Cuba; therefore, we must create Mexican laws that will give Mexican business the necessary, legal means to block the extraterritorial effects of actions such as the Helms-Burton law. Those measures, of course, will be used as a means of defense. It will be necessary to review the law point by point in order to establish an antidote for each and every part of the Helms-Burton law. [end recording]

Canada has created an antidote law against the measures contained in the Torricelli law.

Mexico: Nation To Denounce Helms-Burton Law at WTO

PA0206204196 Madrid EFE in Spanish 1532 GMT 2 Jun 96

[FBIS Translated Text] Mexico City, 2 Jun (EFE) — The Mexican Government will denounce at the WTO the threats by the U.S. Helms- Burton law against companies of this country that have invested in Cuba.

Commerce Secretary Herminio Blanco Mendoza reaffirmed yesterday the official rejection of the content and intentions of the polemic law and the government's intention to defend the interests of Mexican businessmen on the island.

In May, Mexico started a process of consultations with the United States within the North American Free Trade Agreement [NAFTA], which also includes Canada, a country that Mexico maintains an alliance with to fight the implementation of the Helms-Burton law.

Blanco Mendoza insisted that Mexico "is working at various international forums to protect the interests of businessmen, who could be subject to punishments established by the Helms-Burton law."

Besides consultations within NAFTA, Mexico has already resorted to the OECD, of which it is a member, and to the WTO to "protect the interests of Mexican businesses," the official insisted.

The U.S. Government promulgated the Helms-Burton law or Cuban Liberty and Democratic Solidarity Act after the Cuban Air Force downed two planes of the "Brothers to the Rescue" organization on 24 February.

This law punishes persons, companies, or institutions from countries that maintain business involving properties confiscated by the Cuban regime from U.S. citizens or companies after the 1959 revolution.

The first company affected by this law was Mexican Cement (the largest cement producer in America). This company announced that it will stop investments in Cuba, and the U.S. Government deemed this to be a success.

Meanwhile, the Domos Group this week assured it will maintain control of the telecommunications market in Cuba and described as "sensationalist" reports about its possible departure from the island.

Domos, via its subsidiary the Inter-American Telecommunications Enterprise (Citel), received a concession in 1994 to modernize Cuba's telephone system. This became the Mexican group's main foreign investment project.

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Mexican Tourism Undersecretary Ricardo Ampudia told the media that so far no company from this economic sector has yet reported any problems from the alleged implementation of this law.

Ampudia believes this law will have no effects on the development of Mexican tourist companies in Cuba, and he insisted that the only company that has interests on the island will receive support from the Mexican Government.

Mexico: Bank Head Says Some Firms Exempt From U.S. Law

PA3105192596 Mexico City XEW Television Network in Spanish 0330 GMT 31 May 96

[From the "24 Hours" newscast]

[FBIS Translated Text] Bancomext [National Foreign Trade Bank of Mexico] Director Enrique Vilatela has said during an interview that Mexican companies having business ties with Cuba without using properties expropriated by the Cuban Revolution are exempt from the Helms-Burton law:

[Begin Vilatela recording] The law states that businessmen in any part of the world benefiting in some way by purchasing, renting, or profiting from properties that were owned by U.S. citizens before the Cuban Revolution and that were expropriated by the regime of Commander Fidel Castro would be subject to sanctions established by the Helms-Burton law if they do not stop profiting from those properties before 1 November of this year. [end recording]

Asked whether the Domos Group uses confiscated property, Vitela has denied this, saying the letters warning of possible sanctions are an attempt to worry Mexican businessmen:

[Begin Vilatela recording] We must remember that everything concerning communications is exempt from the Torriceli law and receives special treatment by U.S. laws, but this company is involved in a large operation, and that was probably why it has received that letter. We know about it although we do not participate in the operation, as we do not have any financial dealings with the Domos Group.

Based on the information we have, we know that the investment the Domos Group has made has no relation to confiscated properties, first because the concession given to ITT expired many years ago, and, therefore, it had no rights deriving from that concession. [end recording]

Vilatela has said the Domos Group and the Mexican Government will show U.S. authorities that this measure is an unfair one.

Regarding Cemex [Mexican Cement Company], Vilatela has said there are no investments linked to properties confiscated by the Cuban Revolution. Cemex has not received any letter announcing sanctions yet, he added.

Vilatela has said Cuba owes Bancomext $350 million, adding that Bancomext has financed exports to Cuba only from five Mexican companies: Cemex, the Tuxpan Hotel, and Telefonia Cellular, owned by Mexican businessman Luis Nino De Rivera. The other enterprises are small industries that have received financial assistance for less than $1 million. Vilatela has said Bancomext will continue giving credit to Mexican enterprises wishing to have business with Cuba.

Mexico: Secretariat Denies Cancellation of Pemex Sale

PA3105195096 Mexico City LA JORNADA in Spanish 23 May 96 pp 1, 50

[Report by Victor Cardoso, Raul Llanos, and Ana Salazar]

[FBIS Translated Text] The Secretariat of Energy has denied the sale of secondary petrochemical plants belonging to Mexican Petroleum (Pemex) has been canceled and has stated that "there is no project in the hands of the president to stop the privatization."

In a communique, the Secretariat of Energy has stated that no official from that office has said the government has decided to "stop" the sale of secondary petrochemical industry assets.

In addition, the secretariat has criticized the versions from certain legislators who, asking that their names not be released, have said the sale of 61 Pemex petrochemical plants was going to be suspended, adding that they have received pressure from interested firms and government officials.

"We believe these remarks, which are disguised behind anonymity, contribute to create suspicion and doubt. This does not help in making this and other public processes aboveboard. In addition, because these remarks may entail criminal actions, it is advisable that the corresponding charges be filed through the legally established channels, particularly considering that representatives have made the charges."

In response to doubts from interested parties and the Energy Commission of the Chamber of Deputies, the Secretariat of Energy has announced publicly that the Priva-

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tization Inter-Sector Commission continues to work. It has pledged to disclose information on the privatization of the Cosoleacaque Complex as it becomes available.

Meanwhile, leaders from the main business associations affirmed yesterday that the possible cancellation of the privatization of the secondary petrochemical industry would be a "setback" for the country, because it would send a "negative sign" to domestic and foreign investors. This would result in the loss of confidence and the postponement of investments and would portray the country as being instable in the eyes of the international community.

The presidents of the Business Coordinating Council (CCE) and the Employers Confederation of the Mexican Republic (Coparmex), Hector Larios Santillan and Carlos Abascal, respectively, as well as Raul Munoz Leos, manager of Dupont-Mexico, have said, separately, that the federal government should stick to its commitment to sell the petrochemical plants, adding that the government should bury the "fears or taboos" that this action undermines the country's sovereignty or independence.

According to Carlos Abascal, who has participated in the First Business Meeting of the Northwest, "it is a serious mistake to reverse the privatization of an inefficient, noncompetitive, and technologically backward sector nowadays, a sector for which we do not have resources. Coparmex believes this mistake is a very significant one."

What must be done in this case, he has said, is to give a juridical framework to the privatization processes of this sector in order to recover lost time. "There will be a delay that will be negative for Mexico, but things must be done right, and the process must continue. The country cannot stop in light of power groups' interests," he has said.

— Is the confidence of investors being lost?

— Yes, of course, particularly of those who were very interested in participating in this industry, and, of course, this sends a wrong message to international investors.

— What must the attitude of the federal government be?

— To restore the process with juridical certainty as soon as possible.

In his opinion, in the measure that the petrochemical industry is not competitive worldwide, treasury resources will be needed to subsidize the incapacity in this branch of activity; otherwise, these resources could be used to develop the country. He has warned that "this industry may collapse in our own hands, and the jobs we are allegedly defending would be lost."

Abascal Carranza has said Mexican businessmen "are facing an obstacle, and we are going to overcome it. We will not lose; we will fall behind but must have the ability to reverse that decision, which we believe goes against the national interests."

In addition, the Coparmex president has said the possible cancellation of the sale of the petrochemical companies would delay the implementation of the National Development Plan (PND), one of the pillars of which is the privatization of federal government assets. "Coparmex believes this loss is not yet an irreparable one; it believes this is a delay, not a defeat."

Meanwhile, CCE President Hector Larios Santillan has called on authorities "not to be afraid" to make a decision favoring privatization. This, he added, will help the country overcome its problems and will help authorities view privatization as a taboo that may not undermine the sovereignty and independence of Mexicans.

Interviewed after participating at a forum organized by the northwestern branch of Coparmex, he has said this is a "bad sign" for foreign investors, adding that it would destroy one key element for promoting the country's growth.

Dupont Manager Raul Munoz Leos has asked the government to comply with the promise to privatize the petrochemical industry and then expedite the process. He has concluded that the delay in this process is adversely affecting the Mexican economy.

Mexico: Jalisco Official on Steps Against Helms-Burton Law

PA0206150396 Mexico City XEW Television Network in Spanish 0330 GMT 1 Jun 96

[Report by Guadalupe Varela; from the "24 Hours" newscast]

[FBIS Translated Text] Jalisco Economic Promotion Secretary Sergio Garcia De Alba Cepeda has stated that the adoption of measures to counter the effects of the Helms-Burton law, such as a boycott or embargo on the importation of semi-finished products, would be ineffective because the national production sector depends, to a high degree, on U.S. raw material.

[Begin Garcia recording] It is very difficult because it should be remembered that Mexico's productive networks were greatly ravaged with the commercial opening. It would be very difficult and, perhaps, detrimental, to ask companies in Jalisco or Mexico, in general, to stop importing raw material and semi-finished products. I believe, however, that final consumer goods could be included in the strategy. [end recording]

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A 1995 report from the National Foreign Trade Council of the West indicated that 43 companies in Jalisco had exported approximately $40 million in products to Cuba. Jalisco industrialists are wary because their companies' names have been mentioned and many of them export their products to the United States.

Among others, the products sent to Cuba are: food, oil, paper bags, polypropylene bags, plastic articles, canvas, acrylic thread, tools, fruits and vegetables, toys, soaps and toiletries, medicine, wood furniture, oil and lubricants for motor vehicles, chemicals, handicrafts and gift ware, tequila, and transportation vehicles.

In addition to the local companies, multinational corporations established in Jalisco, including Ericsson, American Donuts Corp., (Rose Patch), and a Dutch chemical company, also ship merchandise to Cuba.

Mexico: EZLN Guerrillas Willing To Continue Peace Talks

PA0306044296 Paris AFP in Spanish 0204 GMT 3 Jun 96

[FBIS Translated Text] San Cristobal, Mexico, 2 Jun (AFP) — The Zapatist guerrillas on 2 June voiced their willingness to remain on the path of peace talks for Chiapas, a state in southern Mexico. However, they demanded a solution to a number of issues to be able to resume talks with the Federal Government.

Representatives of the Zapatist National Liberation Army (EZLN) and the Federal Government had scheduled a meeting for Wednesday, 5 June, but it was canceled due to the crisis into which the talks that started a year ago fell.

The crisis was unleashed after two alleged Zapatists were sentenced to prison in May for carrying out terrorist actions. The EZLN saw this as a toughening in the government's stance.

In a communique made public on 2 June in San Cristobal, Chiapas, Subcommander Marcos pointed out in seven points that the EZLN accepts the proposal made by the National Mediation Commission (Conai) to postpone the 5 June meeting, thus preventing breaking off the talks.

If the negotiation process were broken off, the arrest warrants against EZLN leaders would be carried out, according to that which is stipulated in the law that facilitated a peaceful solution to the conflict, which erupted on 1 January 1994.

Once "the most delicate issues of the current talk crisis" are overcome, Marcos committed himself to "resuming contacts with the Federal Government" through the Conai to agree on the new conditions under which the negotiation process will continue.

A few days ago, the government stressed that "there are no crucial dates," and said it was willing to bilaterally keep or reschedule the date and agenda for the next meeting.

In his communique Marcos asserted that "the situation of social, military, and political deterioration, which provoked the dialogue's crisis continues. Military mobilizations continue to increase, white guards (paramilitary groups) continue to enjoy impunity, and their complicity with the Chiapas authorities is evident."

He added that "the State Police follow leads from the authorities" in Chiapas "to destabilize and render impossible a continuation of the dialogue"; and a persecution campaign against EZLN sympathizers prevails at national level.

He termed "absurd" the sentences against Javier Elorriaga, 13 years in prison, and Sebastian Entzin, six years in prison, for terrorism. These sentences were followed by the sentence against alleged EZLN member Francisco Garcia last week. He was found guilty of sabotaging an electric tower.

Marcos said: Thus, "the judicial branch continues to obstruct the dialogue and it becomes the peace process' main saboteur."

The Federal Government "is trying to reduce the Chiapas conflict to a police matter."

The rebel chief said that, "despite the difficult conditions" and as proof of its willingness to continue with the dialogue, the EZLN will appoint a delegation for a direct meeting with the legislators of the Harmony and Peace Commission (Cocopa).

He urged the government "to abandon its two-faced policy and prove with facts that it is true to its word;" and he urged the judicial branch to "stop creating obstacles for the peace process and to stop sabotaging the dialogue."

Mexico: Police Arrest Illegal Immigrants Headed for U.S.

PA0206200496 Mexico City XEW Television Network in Spanish 0330 GMT 1 Jun 96

[Report by Marco A. Pina; from the "24 Hours" newscast]

[FBIS Translated Text] The Federal Judicial Police [PJF] in Sonora continue to intercept Central American citizens, who have illegally entered our country in an

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attempt to enter the United States through the Agua Prieta border.

A PJF patrol, stationed at the international highway No. 2 (Imur-Chihuahua), observed a suburban-type station wagon carrying 12 people. The police decided to stop the vehicle for a check. As he approached the vehicle, the policeman noticed that the occupants were very nervous, and when he asked for their identification papers they admitted that they were from El Salvador. The police proceeded to arrest Luis Hector Escobar Romero, who was driving the vehicle.

At the same time, police stopped a Ford sedan in a similar situation and arrested Jose Luis Ortega Ibanez and Juan Hernandez Herrera, who were the drivers. The individuals had charged each of the illegal immigrants $700 to take them to the United States. The PJF has arrested at least 130 illegal immigrants at Naco and Agua Prieta, in the Sonora border area, during the past few days.

Mexico: Oaxaca, Veracruz Antiguerrilla Operation Cited

96CA0180A Mexico City LA JORNADA in Spanish 10 May 96

[Article by correspondent Octavio Velez: "Military Party Searches for Guerrillas in Veracruz and Oaxaca: Three Mayors" — received via Internet]

[FBIS Translated Text] Acatlan de Perez Figueroa, Oaxaca, 9 May — A military party attached to the 26th military zone, which is headquartered in Xalapa, Veracruz, is investigating the alleged presence of guerrillas in communities in three Oaxaca municipalities and in the highlands of Tezonapa, Veracruz, it was reported.

The mayors of Acatlan de Perez Figueroa and Cosolapa de Diaz confirmed the presence of close to 90 military personnel, who began mobilizing a month ago to comb the Oaxaca-Veracruz border area.

The local mayor, Miguel Angel Virgen Virgen, confirmed the presence of the Army in the region but denied that there were guerrillas there. He emphasized that he does not have the authority to say in which communities the military personnel are operating nor to describe the investigations they are conducting.

"I only know that their presence stems from programs to battle the planting of narcotics, because we are not aware of any subversive groups here, although I do not know about other nearby municipalities, so we cannot ask the government or the Army for help because nothing has been detected in connection with the rumors circulating among the people," he commented.

Separately, the mayor of Cosolapa, Luis Alejandro Barrera Rocha, indicated that the military is there to combat drug trafficking. As for the rumors that the soldiers are after a purported guerrilla group, he cited the saying "Where there's smoke there's fire."

In turn, the second commander of the Acatlan municipal police, Alejandro Sanchez Guzman, noted that a company of soldiers passed through, doing checks in communities in Agua Escondida, municipality of Acatlan, and Paso del Sapo, municipality of San Jose Independencia.

There are unofficial reports that they are also combing the Tezonapa highlands, a municipality on the Oaxaca-Veracruz border.

He added that there is no history of subversive groups in the zone and as a result he felt that the troops were there as part of the National Defense Secretariat's ongoing program to combat drug trafficking.

Nevertheless, the people who live along the Oaxaca-Veracruz border still talk about the armed group led by "Commander Rojo," who had made his presence felt in the Tezonapa highlands but was killed by the Army in 1994 in Fortin, Veracruz.

Mexico: Government Said Countenancing Violence

96CA0185A Mexico City LA JORNADA in Spanish 22 May 96

[Commentary by Sergio Aguayo Quezada, president of the Mexican Human Rights Academy: "The Specter of Violence" — received via Internet]

[FBIS Translated Text] The appearance of death squads in a number of Mexican states is quite disturbing, as is the lukewarm reaction by a government unwilling to fight what it may perhaps need.

No government gives up its extraordinary privilege of having a legal monopoly on the use of force and the instruments of force. Democracy requires taming and subjecting that capacity to laws and institutions that should be based on international standards of legitimacy and justice. The tension created is permanent and inevitable, and the resolutions afforded this state of tension depend on a society's degree of civility.

In Mexico we are now experiencing a time of extreme strain between the impulses to violence from part of the state apparatus and the resistances imposed by legality, society, and the international community. There is cause for concern, but the battle for civility has not yet been lost.

The governments created by the Mexican Revolution have always resorted to force to keep the population

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under control. However, this coercion and the people entrusted with employing it have been subject to the political control of the group in power, which has used this coercion with great sophistication.

Our society has been transformed, and the independent media, the human rights movement, and some opposition parties have limited the illegal use of state violence. Unfortunately, these have been minor obstacles, when the problem calls for major roadblocks.

Paramilitary groups, white guards or death squads, are now operating in different states of Mexico. They follow a pattern which I will now describe, using Recommendation 58/95 of the CNDH [National Commission for Human Rights].

On 10 January 1995 a clash took place in Chicomuselo, Chiapas, in which police and campesinos were killed. The CNDH found that "civilians had organized, armed themselves, and as an identifying sign, had placed a band on the sleeve of their shirts. These civilians continued their activities even after the public security forces were in control of the situation." The police tolerated these civilians, and this means that the government of the State of Chiapas violated all the federal and state laws that expressly prohibit private citizens from exercising police powers. As part of its course of action, the National Commission for Human Rights issued a recommendation to the state officials on a number of points.

The governor of Chiapas, Julio Cesar Ruiz Fierro, accepted the recommendation and, as has happened on numerous occasions, only partially complied with it. For example, the point on setting up and conducting a preliminary investigation on the responsibilities of the police leaders who allowed the actions of this paramilitary group is still pending.

The most serious aspect of this is that it is not an isolated instance. As I will demonstrate from other examples, there are a number of states with paramilitary groups which assassinate with impunity while the authorities tolerate these murders. On 16 May the CNDH sent a request to the same governor in relation to the Bachajon and Chilon case. It is outrageous that the CNDH should once again have to report that "agents of the Office of the Public Prosecutor... were constantly accompanied by *Los Chinchulines*," and that these persons "go about armed and are not bothered by the state government's public security agents."

These CNDH documents are extraordinarily important because they keep the people in charge of governments from feigning ignorance of the facts. They all know what is going on, and if they seem lukewarm and indecisive, it is because they are worried about the future. The regime has always resorted to these death squads and, as they do not have authority, their actions can be considered acts of common criminality. The inevitable conclusion is that if these groups are not combated, it is because the regime does not want to put an end to an instrument which they find convenient for eliminating unwanted presences.

Tolerating them also poses risks to the regime which assumes that it can control them. There is, however, evidence that some of these paramilitary groups are now beginning to act on their own behalf, and this out-of-control violence is contributing to the climate of uncertainty. In addition, a killing which in the past would not have been printed on the front page of local newspapers can now trigger or accelerate deeply destabilizing situations. The specter of violence is as real as the indecisiveness of a good part of the officials who have pledged to combat it, and who must now decide if they are for violence or for legality. Weighting the scale in favor of civility is one of the greatest challenges we face. Anyone who does not understand this understands neither history nor logic, neither the rites nor the risks of violence.

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Guatemala

Guatemala: President Rejects Helms-Burton Law

PA0106002896 Guatemala City LA REPUBLICA in Spanish 31 May 96 p 6

[FBIS Translated Text] Guatemalan President Alvaro Arzu yesterday rejected the U.S. Helms-Burton law because he believes it interferes with the sovereignty and free determination of peoples.

"One cannot accept that it interfere in the sovereignty and domestic law of each nation and the free determination of peoples," Arzu told journalists.

He added that "all the other presidents of Central America and of several European countries have coincided" in rejecting the law that toughens the more than 30-year-old U.S. trade embargo against Cuba.

The controversial initiative is named after the two U.S. legislators who drafted it to punish the countries that maintain trade ties with Cuba. It has met with growing resistance worldwide.

The U.S. Government has begun to issue warnings to Canadian, Italian, and Mexican businessmen about the sanctions they will face for maintaining businesses in the Caribbean island.

Arzu said he does not have information about the law's effects in both Cuba and other countries.

"There is no reason to make a great to-do," he said when he confirmed that Guatemala will continue efforts for the reciprocal installation of interests offices in Guatemala City and Havana, "exactly as the United States has done with Cuba."

The installation of missions to watch over the common interests of Gautemala and Havana "is something that goes back to the time when relations were broken," Arzu added in reference to the Latin American decision to break ties with Cuba in 1960.

At that time, Mexico did not participate in the regional decision, while Nicaragua reestablished relations with Cuba after the revolutionary government of the Sandinist National Liberation Front (FSLN) took office (1979-90).

Arzu explained that Cuba and Guatemala had entrusted third nations to handle common affairs.

The Swiss Embassy in Havana took care of Guatemala's interests in Cuba while the Brazilian embassy was in charge of Cuba's interests in this Central American nation.

The Guatemalan Foreign Ministry yesterday indicated that it "is considering the possibility of implementing a common method in international law through which officials assigned under a third country mission are accredited."

Guatemala: Government To Open 'Interests Office' in Cuba

PA3105121596 Guatemala City PRENSA LIBRE in Spanish 30 May 96 p 96

[Report by Carlos Ajanel Soberamis and Edgar Arana Paredes]

[FBIS Translated Excerpt] Deputy Foreign Minister Gabriel Aguilera yesterday announced, in what he described as a first step toward reestablishing diplomatic relations with Cuba, that Guatemala will open a commercial office in Cuba, which will be used to support the exchange of products.

After ruling out that the U.S. law that toughens the embargo on the island, which the country opposed, may harm the project of reestablishing diplomatic relations with Cuba, Aguilera said that on the contrary, the commercial exchange will continue to develop.

He went on to say that *in fact there are plans to open a Guatemala-Cuba Interests Office and a Cuba-Guatemala Office to support efforts to increase bilateral relations in economic, cultural, and cooperation issues.*

Explaining the importance of opening an interests office, Aguilera said that this may be seen as a first step toward reestablishing diplomatic relations. According to Aguilera, the interests office is a legal recourse that allows two countries that do not have diplomatic relations, such as Guatemala and Cuba, to find formulas that allow them to engage in commercial exchange. He said that these are located in countries where one desires to establish relations.

Aguilera's comments are based on the fact that the U.S. Government has warned that it will punish those states, institutions, or firms that fail to support the embargo against Cuba, or those who start commercial relations with the island. Nevertheless, President Alvaro Arzu warned weeks ago that the country will not support the U.S. initiative, because it interferes with the independence and sovereignty of third countries.

Regarding the number of times Guatemala has opened interests offices, Aguilera said that this was done when the country broke off relations with the UK and Spain.

Guatemala and Cuba broke off diplomatic relations at the beginning of the 1960's, shortly after Fidel Castro became the island's president, following the 1959 overthrow of Fulgencio Batista.

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Even though Foreign Minister Eduardo Stein Barillas has said that renewing relations with Cuba is not among the government's priorities, he has admitted that this is feasible in the long run. Cuban Foreign Minister Roberto Robaina expressed similar views during his recent visit to the country.

Free Trade Is the Expression of Democracy

CCG [Guatemalan Chamber of Commerce] President Jorge Briz Abularach said that free trade is the best expression of democracy and that this has served to end totalitarian regimes.

Guatemala needs to open its markets, because by producing more, there will be more exports and better ways to fight poverty. We advocate free trade, and when this is known in totalitarian countries, it ends that system, he said.

CACIF [Coordinating Committee of Agricultural, Commercial, Industrial, and Financial Associations] President Says It Is Not The Best Moment

CACIF President Humberto Preti believes that it is not the right moment to reinitiate commercial relations with Cuba.

If the Helms-Burton law is applied without discrimination, the cost to Guatemala could be higher than the benefit from the new market, he concluded. [passage omitted on multinational firms that have begun defying the United States]

Honduras

Honduras: Economy Minister on Charges Filed at U.S. Senate

PA3105181496 Tegucigalpa Voz de Honduras Network in Spanish 1145 GMT 31 May 96

[Report by Giovanni Garcia]

[FBIS Translated Text] Economy and Commerce Minister Fernando Garcia has reacted to charges filed by a young assembly plant worker at the U.S. Senate regarding alleged violations of her labor rights.

According to Garcia this is nothing more than a maneuver aimed at discrediting Honduras's assembly plant industry and adversely affecting the country's economy in favor of the interests of U.S. workers.

[Begin recording] [Fernando Garcia] We are extremely disturbed by what has been going on for the past month, approximately. We have sent a letter to the U.S. ambassador asking him to talk about this to the U.S. authorities in charge of these issues. We have also contacted the Honduran Assembly Plant Association requesting their participation. We have talked about the topic with the Cohep [Honduran Council for Private Enterprise] during this breakfast meeting held today. We have talked about the need for the active participation of the Cohep in favor of the country's national interests. We have also contacted our embassy in the United States.

[Giovanni Garcia] Could Honduras be penalized by these charges filed at the U.S. Senate?

[Fernando Garcia] I believe the U.S. Government is very responsible and serious and will review this matter further before making a decision.

[Giovanni Garcia] Are maneuvers being adopted to discredit Honduras' assembly plant industry?

[Fernando Garcia] I would not be surprised to find interests of various types. Let's remember that in 1995, Honduras took first place in Central America in assembly plant exports. It took second place in the Caribbean region and was tenth in the world. In certain categories it took third, fourth, and eighth place in the world.

[Giovanni Garcia] Is the Honduran assembly plant issue being used as a political campaign topic prior to the November elections in the United States just as the former president of the Chamber of Commerce, Eduardo Facusse, has been saying?

[Fernando Garcia] It could be one of the reasons.

[Giovanni Garcia] Are any Hondurans involved in these maneuvers in the United States?

[Fernando Garcia] I do not know any details about that. However, I can tell you that if there are persons acting that way, they are wasting their time. I believe law and justice are prevailing in the country in such a way that cases of violations of labor laws and human rights can be examined in the country first. Only in extreme cases should they be taken to the international arena. I believe such actions are comparable to an act of treachery as I have said before.

[Giovanni Garcia] Are gringo labor unions an interested party in this because they feel they are adversely affected?

[Fernando Garcia] Not only them, we are currently talking about the case of a Honduran person. Remember that you will always find fifth columnists. [end recording]

Government officials and labor unions agree this could be a political show just prior to the November elections in the United States. It could be a maneuver by the U.S. labor unions, who feel they are being adversely

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affected by the loss of jobs because of the assembly plant industry in Honduras.

Meanwhile, the Honduran Government has initiated actions to exercise its rights and regain respect following the charges filed at the U.S. Senate regarding alleged violation of labor rights. Honduran Government officials and businessmen agree that it is part of a maneuver to discredit the Honduran assembly plant industry and favor the interests of U.S. labor unions who have the support of certain labor leaders in the country, who are lending themselves to these maneuvers, all to favor U.S. labor and to undermine investments in Honduras.

Nicaragua

Nicaragua: Two U.S. AID Officials Kidnapped in Jinotega

PA0206031396 Managua BARRICADA in Spanish 1 Jun 96 pp 3, 8

[By Freddy Garcia Eschke]

[FBIS Translated Text] It became evident yesterday, with the kidnapping of two foreigners, one of them accredited as an electoral observer, and the death of two Nicaraguan citizens in separate incidents in remote areas of Jinotega Department, that violence will be a factor that will tarnish the elections process, according to military and electoral sources.

The reports of the assassinations and the kidnappings came only a few hours prior to the initiation, today, of the process of ad hoc registrations in 26 municipalities where the presence of armed groups had prevented the issuing of identification cards to the citizens and also a few hours prior to electoral verifications in the remaining 117 municipalities where identification cards were issued.

Military and electoral sources have reported that two AID [U.S. Agency for International Development] officials identified as Sidney Susuni and Cinthya Gersoni, the latter accredited as an electoral observer, were kidnapped by chieftains Parajillo and Cobra in the town of Somotine, 20 km northwest of Wamblan, Jinotega Department.

According to Rosa Marina Zelaya Velasquez, the kidnapping of Gersoni results from the armed group's demand that a new voting centers be opened in Somotine.

Meanwhile, the Army has reported the murders of Abelino Dixon and Francisco Solano Gonzalez, two Nicaraguans of Miskito origin, apparently a revenge action from an armed group under the command of Gato, Menudo, Chiguin, and Ganso.

This action, which was preceded by the kidnapping of 38 persons, six of whom remain held by the armed group, took place in Wina, 30 km northwest of San Andres de Bocay, Jinotega.

According to military sources, all the people kidnapped in Wina are of Miskito origin: Nicanor Rizo, Omar Talavera Prado, Jesus Damasio, Isidro Bucardo, Celestino Lopez, and Pablo Dixon Castillo, brother of one of the murdered men. The group, all members of the Association for the Development and Progress of the Miskito and Sumus Indigenous Communities, had gone to Wina to resolve a conflict involving land in the Bosawas Reserve where they live.

The president of the Electoral Council has regretted and criticized the kidnapping of the international observer "because, obviously, this has given violent tinge to the beginning of the ad hoc registration process and the electoral verification."

Zelaya Velasquez reported that both Deputy Government Minister Frank Cesar and representatives of the OAS' International Support and Verification Commission are working to secure the release of the kidnapped woman.

The Nicaraguan Human Rights Center, to which relatives of the kidnapped persons have appealed, has began working, through its Matagalpa branch, with the Catholic hierarchy to find a peaceful solution to the conflict.

Meanwhile, the Army stated through its Public Relations Directorate that special troops were taken yesterday by helicopter to the area to participate in both situations.

The directorate said: "We hope and trust that her physical integrity will be respected. Although we know that she will suffer an emotional impact, we hope there will be no other consequences."

The directorate added that the end does not justify the means and that in "no way can they promote (their request for the opening of a new Vote-Counting Board) with acts such as shameful attacks on the lives of Nicaraguans and foreign observers."

Nicaragua: U.S. AID Official Kidnapped by Armed Group

PA0106133396 Panama City ACAN in Spanish 0511 GMT 1 Jun 96

[FBIS Translated Text] Managua, 31 May (ACAN-EFE) — Cinthya Gersoni, an official with the U.S. Agency for International Development (AID), was kidnapped by an armed group in northern Nicaragua, official sources have confirmed.

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In statements to the press this evening, Rosa Marina Zelaya, president of the Supreme Electoral Council (CSE), confirmed the kidnapping of the U.S. citizen.

Military sources reported that for now the whereabouts of Robert Paul Gersoni, husband of the abducted official, are also unknown.

The kidnappers are made up of a gang of 15 armed men, led by "Pajarillo" and "Cobra," who are two unknown leaders of armed groups operating in the northern part of the country that borders Honduras.

The kidnapping of Gersoni, a member of the staff of AID observers in Nicaragua assisting in preparations for the 20 October elections, occurred on Thursday but was confirmed this Friday, the source added.

Nicaraguan television newscasts said that the kidnappers are demanding that the National Election Tribunal establish an undetermined number of Vote-Counting Boards (JRV) in the Indian reserve of Banco Grande, near Wiwili, which borders Honduras.

This community is located about 350 km north of Managua and access to this site is very difficult. Here, authorities have been unable to register voters due to the actions of armed groups.

Military sources reported that a group of soldiers was transported by helicopter to the sector of Wiwili where the kidnapping of the observer reportedly occurred.

Journalists have stated that members of the International Support and Verification Commission (CIAV) of the OAS will try to talk to the kidnappers in an effort to rescue the observer.

This incident occurred just prior to the beginning of the citizen registration process in 26 municipalities of the northern and central part of the country, including Wiwili, which will enable these citizens to vote in the October elections.

In the region of these municipalities there are approximately 400 organized armed men operating in more than 50 gangs, which have carried out all sorts of crimes.

Since the third week of April, a total of 67 observers from different international organizations, including the OAS, have been accredited before the CSE, which conducts the process and supervises the political campaign.

The Army and the police, which have beefed up the military presence in the region, are carrying out a plan to guarantee the security of citizens, so that they can vote.

Nicaragua: Armed Group Releases Kidnapped U.S. Citizen

PA0206022396 Panama City ACAN in Spanish 0147 GMT 2 Jun 96

[FBIS Translated Text] Managua, 1 Jun (ACAN) — Government sources have reported that U.S. citizen Cinthya Gersoni, a member of the OAS observers mission, was released 24 hours after an armed group kidnapped her in northern Nicaragua.

Gersoni, 41, who is from New York, "has been released by the group of rearmed former 'contras' who kidnapped her on 31 May (Friday) near the border with Honduras," a spokesman from the Social Affairs Ministry said.

The release took place after a special group negotiated with the OAS observer's kidnappers, who also released Nicaraguan Antonio Moncada, who was her guide when she was kidnapped.

Gersoni will arrive in Wiwili City, 385 km northeast of Managua, late in the evening of 1 June, prior to travelling to the northern city of Jinotega to meet with her husband.

Nicaragua: U.S. Citizen Released; Registration Day 'Calm'

PA0206034296 Panama City ACAN in Spanish 0221 GMT 2 Jun 96

[FBIS Translated Excerpt] Managua, 1 Jun (ACAN-EFE) — U.S. citizen Cinthya Gersoni, a member of the OAS observers mission, was released 24 hours after she was kidnapped, without the government making any concessions to the armed group that held her prisoner in northern Nicaragua.

This is what Social Action Minister William Baez explained at a news conference, where he pointed out that Gersony, 41, was handed to three OAS members who made contact with the kidnappers. [passage omitted]

Minister Baez affirmed that this kidnapping is an isolated incident "that will not jeopardize the electoral process," which will end with presidential elections in October 1996. [passage omitted]

The Nicaraguan Government announced that the Army will not cancel its plan to curb illegal activities by the numerous armed groups operating in northern Nicaragua, although, according to Baez, it is willing to accept a surrendering of weapons and their return to civilian life. [passage omitted]

Minister Baez told the media that the first day of voters' registration remained calm and that, even though at the

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beginning it was very slow, many more people went to the vote-receiving boards (JRV's) in the afternoon to register in the electoral census. The registration process will continue on 2 June and over the next weekend. [passage omitted]

Panama

Panama: President Comments on U.S. Troops, Canal Security

PA0206154196 Panama City EL UNIVERSAL DE PANAMA in Spanish 2 Jun 96 p 40

[Report by Victor Torres]

[FBIS Translated Text] Panamanian President Ernesto Perez Balladares has asserted that the U.S. military troops stationed in the Panama Canal area do not guarantee the waterway's security. He said that the U.S. soldiers guarantee U.S. security and protect their own national interests.

Perez Balladares added that the Panama Canal can be protected and patrolled by a police corps established by Panama. He said that the protection and patrol of the Panama Canal does not require foreign military forces. The president indicated that Panama has to establish a specialized police to be able to have sufficient control over the Canal's vulnerable areas.

He stated that we cannot suppose that the Panama Canal needs a military organization to ensure its security. "To suppose that Panama needs a military organization for its security is a serious mistake and was the excuse used in the past to militarize the country. We will not make this mistake," the president stressed.

According to Perez Balladares, the best way to ensure the Panama Canal's security is for Panamanians to understand that the waterway benefits the whole population and, consequently, must be taken care of.

"I believe there is no country in the world, especially among the ones who signed the neutrality treaty, that wants to destroy a property that is used by everyone," Perez Balladares observed.

The president explained that the people who are working to have a professionalized National Police believe this organization will suffice to give the Canal the protection and security it requires.

The Panama Canal is the country's biggest resource and is to be returned to Panama by the United States on 31 December 1999. On that date, all U.S. defense sites must be dismantled, and the U.S. troops must abandon Panamanian territory.

The U.S. Administration has been reverting several areas in the Panama Canal vicinity to the Panamanian Government as part of the program to return the territories.

The Panamanian Government is negotiating with the U.S. Administration to study the possibility of several U.S. military bases remaining in Panama after the year 2,000.

The Panamanian Government employed several economists to study the possibility of having several U.S. military bases remain in Panamanian territory, and they presented their report over the past few days. The economists recommended to the government that, due to economic impact, it is advisable for Panama to negotiate for a few of the U.S. bases to remain.

Opposition sectors in Panama, however, have pointed out that the permanence of military bases in Panama represents the continuation of foreign occupation of the country.

The United States has approximately 10,000 soldiers in the different bases operating throughout the country.

Panama: PRD Official Views Claim on Drug Financing

PA3105144196 Panama City LA PRENSA in Spanish 29 May 96 p 2

[Report by Rolando Rodriguez B.]

[FBIS Translated Text] PRD [Democratic Revolutionary Party] Deputy Secretary General Francisco Sanchez Cardenas has rejected an article in THE ECONOMIST magazine that has wondered whether the PRD financed its political campaign with drug trafficking money. He has said the article could have been "implanted."

Although the THE ECONOMIST article was published in this week's issue, Sanchez Cardenas has said that the PRD learned of the issue's contents two or three weeks ago and that the party in studying the issue reached the conclusion that the article could have been "implanted," but the purpose of this action is unknown, he has said.

The British magazine has published an article headlined "Drugs and Panama," the last part of which wonders: "Was the PRD's 1994 electoral campaign tainted with drug traffickers' money as it happened with President Samper's campaign in neighboring Colombia?"

According to the PRD leader, the country is on the verge of making important decisions for the future, and this article "could influence future decisions, but we cannot affirm it."

Nevertheless, he has recalled that the PRD proposed in the debates to reform the Electoral Code that the Electoral Tribunal supervise the political parties' funds

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to keep drug trafficking from interfering with electoral campaigns as it has happened in other countries. He added that the rest of the political parties, although "they boast of being very aboveboard and upright," have turned down the proposal.

He also has said that the PRD's 1994 electoral campaign entailed "much sacrifice" and that because he is not an affluent person the campaign cost him "several thousand dollars that I had obtained from my permanent job." He insisted his party's campaign was "modest."

He went on to say that most of the PRD's campaign money, "1 million plus," was spent on publicity and communications and that this amount came from "about 10 Panamanian business personalities whose names we cannot reveal because we have not been authorized to do so."

Nevertheless, he has admitted that one of these benefactors, just as THE ECONOMIST reported, was Alfredo Aleman, who contributed money, although not in the amount mentioned by the article, about $750,000. Sanchez Cardenas did not say how much the donation was but that "we would have been much better" had Aleman donated such an amount.

THE ECONOMIST reported that Aleman "is a friend of President Ernesto Perez Balladares" and that the businessman also was secretary of Banaico, a bank which is undergoing a liquidation and which is being investigated by U.S. authorities, who link it to Colombian drug cartels.

Sanchez Cardenas has mentioned Moises Mizrachi, a member of the Board of Directors of the Panama Canal Commission, as another businessman who gave money to the Perez Balladares campaign. According to Sanchez Cardenas, Mizrachi was "persecuted after our triumph" and stripped of the ownership of several buildings, among other properties, "for having supported the party." Sanchez Cardenas failed to say to which buildings he was referring.

Sanchez Cardenas, who is also housing minister, has said Aleman "is experiencing a different type of persecution." Nevertheless, he has said he is satisfied because the PRD has certified the source of all money received during the electoral campaign.

Sanchez Cardenas has said that the Banaico case is out of the government's hands and that the government has nothing to do with this bank, except for the intervention by the Banking Commission.

Although the THE ECONOMIST article mentions Banaico, Sanchez Cardenas has said this relationship is "farfetched" because, according to the information handled by the National Finance Commission, Banaico went bankrupt because of poor management.

Sanchez Cardenas also has said his party is willing to reveal the source of the campaign's financing if international pressures continue, provided the businessmen involved authorize this disclosure, but he does not believe the parties are afraid to reveal the sources, he has said.

Panama: 'Text' of Final Document From 'Panama 2000'

PA0106171096 Panama City LA PRENSA in Spanish 29 May 96 p 6A

["Text" of the final document issued at the conclusion of the Panama 2000 or Coronado 1 meeting held at Coronado Beach, Panama on 28 May]

[FBIS Translated Text] The struggles of the Panamanian people in the 20th century have allowed the country to recover the Panama Canal and its bordering areas. In the 21st century Panama must integrate the Canal to the national development process. In the face of the new millennium we must all, representatives of political parties, organizations belonging to civilian society, and the government, share this "national outlook" of the Panama that is desired to face the 21st century.

First: Our long term outlook concentrates on strategic goals for national development, without neglecting current problems. Our approach seeks to resolve state agenda topics, which is what the citizens want.

Second: Our national outlook, "Panama 2000... and go ahead," aims high, with optimism, with hope, and with faith in our capacity as citizens.

We commit ourselves to the development of goals that are based on equality and fairness, which serve as a decisive element to enter the country into the modern world and bring progress to a great number of those who today are excluded from it, and we also commit ourselves to attain significant reductions in poverty levels.

We pledge to consolidate a legal state in which all political forces feel capable of coming to power through democratic means; to give full meaning to the constitutional mandate of demilitarizing the nation; and to attain complete openness in the working of public and private institutions.

We promise to encourage democratic governability with increasing inclusive citizen participation; that the state be a true guarantor of social balances and our characteristic respect to cultural diversity, so that the nation's interests prevail over all other interests.

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Third: In the face of the national outlook, political parties have the responsibility to present before public opinion their government programs and the plans to carry them out. This will allow the citizens to evaluate each government term.

Fourth: A historic landmark in the country's development will be accomplished on 31 December 1999. After almost a century during which successive generations of Panamanians have defended our national aspirations, on 31 December 1999, the dream of being the sovereign masters of our territory, our Canal, and its adjacent areas, for the progress and wellbeing of all, will be fulfilled. For that reason, we recognize that the Canal issue is a state issue, and, therefore, transcends the normal affairs of the government.

It also implies the responsibility of administering the Canal effectively, which is a challenge and a commitment to ourselves, to the integral development of the country, and to the international community.

Like every great opportunity, it also implies risk: if we fail we will affect the prosperity of our nation.

Fifth: The Panama Canal is a world-class enterprise operating primarily and effectively under the direction of Panamanians, and it should become an integral part of our country's future history, and an essential part of its full development. To do this, it is fundamental to coordinate all the activities related to the interoceanic way and its interrelationship with the other government institutions.

Sixth: Panamanians working in the Canal should assume the leadership in administrating and operating the nation's major asset. The citizenry expects and trusts that, because of the workers's experience in the Canal company, they will join in the country's modernization process.

They should encourage a growing, effective, participation of women in all levels of the Canal's administration.

Seventh: Political parties, civilian society, and the government, acknowledge the following agreements as vital to reach our national objectives.

a. Guarantee the exclusion of political party, or sectorial, interests in the decisions of the Panama Canal Authority [ACP].

b. Extensive debate of the ACP's Organic Law on a national level before submitting it to the legislative assembly.

c. The ACP's Law should guarantee the rights and working conditions of the Canal's workers.

d. Foster formal and informal communication and education processes aimed at sensitizing, orienting, and educating the Panamanian people regarding the Canal issue and the reverted areas.

e. Assurance that members of the ACP's Board of Directors, the administrator and deputy administrator, should be appointed solely on their capacity, merits, and virtue. The more representative they are, the greater the guarantee of continuity following the elections.

f. To carry out an election process in 1999, as transparent as the one in 1994, in accordance with the guidelines and calendar stipulated in our Constitution, and under the supervision of all national and international organizations willing to act as observers.

g. The preservation of the interoceanic region's ecological patrimony as a guarantee of the continuity of the Panama Canal.

h. The need and advisability to carry out, as soon as possible, conferences that will allow us to analyze issues such as:

1. The draft of the Panama Canal Authority Law;

2. The General Plan for Usage of the Land and the Regional Plan of the Interoceanic Region Authority;

3. The transformation and reuse of the military bases.

Eighth: We express our interest in actively taking part in the Universal Congress of the Panama Canal scheduled to take place on 7 - 10 September 1997. The event itself, as well as its preliminary meetings, must serve to clearly inform the population and the international community of the decisions and national projects agreed upon with respect to the administration and improvements to the Panama Canal.

Ninth: With the approval of this outlook 'Panama 2000... and beyond,' we Panamanians should feel confident that we are finally on the right path... a diverse and plural path, but one with objectives shared by all men and women of our nation.

Tenth: Promote a permanent forum or interactive dialogue and national debate on the issue of the Canal, with the participation of Panama's civilian and political sectors.

Eleventh: The present document is complemented by reports prepared by the various work groups.

Coronado, 28 May 1996.

Signed by:

Jorge Flores (Popular Nationalist Party)

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Joaquin Jose Vallarino (National Renovation Party)

Carlos Abadia Civic (Renewal Party)

Francisco Sanchez Cardenas (Revolutionary Democratic Party)

Ruben Arosemena (Christian Democratic Party)

Gloria Young (Papa Egoro Movement)

Ramon Morales (Nationalist Liberal Republican Movement)

Simon Tejeira (Solidarity Party)

Berta Tejeira (Political Parties Women Forum)

Mariano Mena (National Council of Organized Workers)

Lina Boza (Panama Canal Workers Union)

Josue Cardenas (Association of Small and Medium-Sized Producers)

William Barringon (National Coordinating Board of Indian Peoples of Panama)

Octavio Tapia (Rectors Council)

Jose Dimas Cedeno (Catholic Church)

Euclides Tejada (National Cooperatives Council)

Victor M. Lewis (National Council of Private Enterprise)

Mariela Arce (Women and Development Forum)

Roberto Bruneau (Ecumenical Council)

Raul Leis (Academic Groups)

Luis Alberto Diaz (Media Representatives Associations)

Eduardo Vallarino (Labor Foundation)

Ricardo Alberto Arias (National Government)

Belisario Betancur (Panama 2000 Moderator)

Panama: 'Text' of Canal Authority Draft Bill

PA3005125396 Panama City LA PRENSA in Spanish 28 May 96 pp 6A, 12A, 13A, 15A

["Text" of bill creating the Panama Canal Authority; date not given — passages within slantlines published in boldface]

[FBIS Translated Text] /CHAPTER ONE/

/NATURE, DEFINITIONS, AND ESSENTIAL NORMS/

/Article 1./ The Panama Canal Authority is an autonomous legal entity, constituted and organized under the terms provided for in the Constitution and in this law.

/Article 2./ For the purposes of this law and its provisions, the following words and expressions will be defined and understood as follows:

Authority: It is the legal entity referred to in Article One (1) of the present law.

Canal: The Panama Canal, including the waterway itself, its anchorages and entrances, its maritime, river, and lake grounds and waters, locks, auxiliary dams, dikes and water control structures, power plants, water treatment plants, wharfs, docks, dry docks, radio, telemetric, and hydrometeorological stations, disposal areas for dredged material, dump sites, lighthouses, buoys and other navigation assistance devices, workshops, pipes, buildings, improvements, cranes, towing locomotives, engines, machinery, equipment, parts, spare parts, material, furniture, control systems of all types, computer and communication systems, and, in general, the installations, systems, components, parts, and other property that according to the Authority are necessary or pertinent for the administration, operation, conservation, maintenance, and modernization of the Canal.

Canal's Hydrographic Basin: Geographic areas, the superficial and underground waters of which flow or are spilled into the Panama Canal or supply the same, as well as its reservoirs and lakes.

Officials: The members of the Board of Directors, the administrator, the assistant administrator, the inspector general, and the directors of the principal offices and independent units as well as those who are given the category and rank of officials by the regulations.

Employees: All other individuals who are part of the personnel structure of the Authority.

Regulations: Norms classified as such by the Board of Directors of the Canal Authority in the exercise of its constitutional and legal powers.

Employment conditions: Policies, practices, and personnel matters established by the law, regulations, or group contracts that have an impact on the working conditions, except job classification matters and whatever the law explicitly excludes.

Canal operation: Includes operation, administration, maintenance, conservation, and protection of the Canal.

The previous words and expressions shall be defined as established in this article unless they are used in a different manner in this law or have a different meaning in the respective context.

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/Article 3./ The Canal constitutes an inalienable heritage of the Panamanian nation, therefore, it cannot be sold, given up, mortgaged, or in some way, alienated.

/Article 4./ The Authority has the exclusive responsibility of the operation, administration, conservation, maintenance, improvement, and modernization of the Canal as well as its related activities and services so that the Canal can operate in a safe, continuous, efficient, and profitable manner. The Authority may delegate, totally or partially, the implementation of certain works or services to third parties as stipulated in this law and in the regulations.

/Article 5./ The fundamental objective of the functions assigned to the Authority is to make sure the Canal is always open to the peaceful and uninterrupted transit of vessels of all countries of the world, without discrimination, according to the conditions and requirements established in the Constitution, international treaties, the law, and regulations. Considering the Canal's nature as an essential international public service, its operation should not be interrupted for any reason.

/Article 6./ The Authority has the responsibility over the administration, maintenance, use, and conservation of the water resources of the Canal's hydrographic basin. To accomplish this, the Authority must coordinate with the proper state entities the administration, conservation, maintenance, and use of the basin and will approve the strategies, policies, programs, and projects, both public and private, that may affect it.

/Article 7./ The Authority has financial autonomy, its own assets, and administration rights.

/Article 8./ The Authority has the responsibility of appointing, promoting, disciplining, and dismissing personnel, according to this law and according to the pertinent norms contained in the special labor regimen regulating jobs in the Canal.

/Article 9./ As a result of their transit through the Canal, the vessels, their freight, passengers, owners and ship owners, will not be subject to any national or municipal taxes, fees, duties, levies, and contributions of any kind, except for the tolls, fees, and duties that are levied by their transit itself and by other related services provided by the Authority to its concession holders.

/Article 10./ The Authority will have the primary responsibility of providing everything necessary to guarantee the appropriate protection of the Canal's installations, therefore, it will coordinate with the police organizations in charge of safeguarding the integrity of all public and private property.

Consequently, the Authority will have the power to procure the surveillance and security of its installations with its own personnel or through the hiring of private companies specializing in security matters.

The Authority will issue norms regulating access to the Canal's installations and its banks, restrictions on the use of its lands for reasons of operation or administration and, in general, will ensure the safety of the persons and property under its responsibility.

In cases involving the police or criminal processes having to do with crimes or violations committed against the Canal or its installations, the Authority's reports on the investigated incidents will considered truthful and those found to be responsible will be punished as stipulated by the law.

/CHAPTER TWO/

/ADMINISTRATIVE ORGANIZATION/

/Article 11./ It is the Board of the Directors' responsibility to establish a policy to oversee the administration and operation of the Authority within the bounds of the Constitution, this law, and the regulations. The administrator will have the daily authority over and the responsibility for the Canal.

The inspector general has the responsibility of organizing, conducting, and supervising the Authority's audits and financial investigations.

/SECTION ONE/

/THE BOARD OF DIRECTORS/

/Article 12./ The Board of Directors comprises 11 directors who will be appointed thus:

1. A director, who is to be appointed by the president of the Republic, will preside the Board of Directors and will have the rank of Government Minister for Canal Affairs.

2. A director appointed by the legislative branch who will be freely appointed and removed by this branch.

3. Nine directors to be appointed by the president of the Republic in accordance with the Cabinet and who must be confirmed by the absolute majority of the Legislative Assembly members.

The directors mentioned in this article will remain nine years in their posts and can only be removed for the reasons indicated in Article 19 of this law.

The director who is appointed by the president of the Republic and the one appointed by the legislative branch, as well as the nine directors mentioned in point number three of this article, must be Panamanians. Not

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more than nine of the directors can be government officials.

Temporary paragraph: For the initial appointment, the president of the Republic will appoint three directors for a period of three years each, another three for six years each, and the remaining three for nine years each. Once this initial periods expires, all the appointments of directors will be for nine-year periods.

/Article 13./ To qualify for a directorship one must:

1. Be 25 years of age.

2. Have no legal conviction for fraud or crimes against public administration.

3. Not be related by blood to the fourth degree or by marriage to the second degree to any of the directors at the time of their appointment.

/Article 14./ The Directors, as such, will not receive wages or entertainment allowances, except for the corresponding stipends for attending Board of Directors meetings and other official missions.

/Article 15./ Without prejudice to other limitations established in the law or in the regulations, the Board of Directors members cannot make on their own or through an intermediary any contract with the Authority or with institutions or firms linked to it and they cannot further negotiations with it during their term as Board of Directors members and for the subsequent two years. The directors can only be candidates to elected positions if they resign their post six months before the date of elections.

/Article 16./ The decisions and resolutions of the Board of Directors will be adopted through the favorable vote of the absolute majority of its members, except if this law or the regulations require a different majority. A member of the Board of Directors can represent any other member if he presents a duly signed document legally authorizing the representation, as well as his acceptance of the Authority. The representation will serve to determine the quorum of a meeting, issue the vote of the absent member, and represent the absent member in all his rights as if he were present.

/Article 17./ The Board of Directors will carry out the following functions:

1. Appoint and remove the administrator, deputy administrator, and inspector general, and determine their salaries and other fees. The Board of Directors cannot appoint any of its members in those positions.

2. Confirm, after receiving the administrator's recommendations, the appointments of the directors of main offices, and chiefs of independent units, according to regulations.

3. Propose to the Cabinet Council, after consulting the administrator, the system of rules for the management of the canal and the tools to be paid by transmitting ships, as well as modifications to both.

4. Establish the value of rights, rates, and related services offered by the Authority and its contractors.

5. Adopt the annual draft budget for the Authority, as well as any supplementary or extraordinary proposals, in accordance with the projects presented to that effect by the administrator. Those proposals must be subject to the consideration of the Cabinet Council and to the study and approval or rejection of the legislative branch according to the Constitution and to this law.

6. Approve, in accordance with pertinent procedures established in this law, the necessary or convenient regulations for the proper operation, administration, functioning, conservation, maintenance, and modernization of the Canal, including the following:

a. Labor regulations for management-employee relations. Determine, among other matters, the criteria and procedures for selection, promotion, wage scale, and economic benefits of officials and employees. Those regulations will at least include a merit system, a job classification system, norms of conduct and ethics, job safety rules, punishment and disciplinary procedures, and complaint, grievance, and arbitration procedures, effective exercise of labor rights, and collective contract.

b. The regulation applicable to the use of the water resources of the Canal's hydraulic basin, in keeping with Article 6 of this law.

c. The regulation applicable to contracts and the completion of projects and purchases, including the acquisition of services including vessels, forklifts, locomotives, engines, machinery, equipment, parts, spare parts, materials, furniture, systems, components and necessary or convenient parts for the proper operation, maintenance, administration, functioning, and modernization of the Canal.

When a transaction, contract, or purchasing schedule exceeds one million balboas (B/1 million) it will be necessary to obtain previous approval from the Board of Directors. The exception to this rule would be transactions of contracts included in the budget for the respective fiscal year, in which case they must be approved by the administrator.

The Board of Directors will have the authority to revise or change those limits whenever deemed necessary.

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d. Regulations on criteria and procedures applicable to the contract of special services offered or received by the Authority and on the granting of concessions.

e. Regulations applicable to the gauging and inspection of vessels, the navigation through the Canal, maritime traffic control, the piloting of vessels, the procedures on the filing and recognition of complaints regarding accidents in the Canal, and other issues pertaining to the navigating through the Canal.

f. Regulations on the criteria and procedures applicable to financial planning, accounting and treasury guidelines, audits on Canal finances, and budgetary drafting and execution programs.

g. Regulations applicable to criteria and procedures regarding the offering of services and the lending of Authority properties to the national government, autonomous institutions, municipalities, private companies, and civic organizations.

h. Regulations applicable to the leasing, sale, and any other alienation and granting to third parties of Authority properties or real estate when they are not in use or obsolete or when, for any reason, that cease being necessary or advisable for the due administration, functioning, conservation, maintenance, or modernization of the Canal.

i. The regulations allowing the enforcement of laws on ecologic conservation so as to not adversely affect the Canal's adequate operation.

j. The regulations on Canal surveillance and security matters.

k. The regulations on matters pertaining to the setting of tolls, fees, and rights charged by the Authority and its concessionaires for transiting the Canal and the offering of related services.

l. The regulations on matters pertaining to the organization and definition of responsibilities corresponding to the Canal administration, the duties of the offices of the Canal administrator and assistant administrator, the organization of functions and duties of Authority's various divisions and departments.

m. The regulations on sanitation and health matters pertaining to the traffic of vessels and areas reserved for the operation of the Canal.

7. Propose, through a previous recommendation to the administrator, the limits of the Canal's water basin and the corresponding revisions to such limits to be approved by the Cabinet Council and the legislative branch.

8. Authorize the administrator's well thought-out and supported proposals and the contract of loans and other credit obligations prior to the Cabinet Council's approval and within the terms the law dictates.

9. Approve Authority policies, programs, and projects, the objective of which is to integrate the Canal operations into the domestic maritime strategies the executive branch may adopt, and, to this effect, authorize the coordination with the national government and the state institutions responsible for drafting and executing these strategies.

10. To approve policies on commercial, industrial, and service activities that might complement Canal operations either through the Authority directly or through concessions to third parties.

11. To supervise the administrator's management.

12. To approve requirements for the deposit of a portion of the Authority's funds into private or official banks other than the Panama National Bank.

13. To dictate its internal regulations.

14. To appoint commissions or consulting boards in which Panamanian and foreign citizens may participate.

15. To carry out any other duties and functions as prescribed by law and the regulations.

/Article 18./ The Board of Directors will be empowered to appoint committees consisting of three or more of its members and to delegate its function upon them with the exception of those referred to under numbers 1, 2, 3, 4, 5, 6, 7, or 11 of Article 17 of this law.

/Article 19./ The members of the Board of Directors will be either suspended or dismissed from their posts, if necessary, for committing fraud or a crime against the Public Administration by means of a resolution issued by the Criminal Chamber of the Supreme Court of Justice according to the relevant provisions upon the basis of the summary proceedings conducted by the Attorney General's Office.

The suspension or removal of any Director will be carried out without prejudice to the penal sanction that may be applicable.

Directors may be subject to suspension and also removal, due to mental, physical, or administrative inability, by means of a provision issued by the nominating authority.

/Article 20./ The Board of Directors will freely appoint and remove a Secretary, who will be an Authority official, and will be responsible for preparing as well as recording all sessions by the Board of Director

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discussions and of the committees it may appoint. The secretary will also carry out any other duty the Board of Directors may assign.

/Article 21./ The president of the Board of Directors will serve as a liaison officer between the Authority and the executive branch, and will exercise the following responsibilities.

1. Preside over Board of Directors meetings. In event of a temporary or occasional leave of absence by the president, any director may be selected by the Board of Directors to exercise the president's responsibilities.

2. Participate, with right to speak and vote, in all Cabinet Councils meetings and provide information, suggestions, and explanations with respect to projects and activities being carried out by the Authority.

3. As minister of State for Canal Issues, the president of the Board of Directors will propose, and substantiate all actions related to the Authority that may require executive branch authorization, approval, or endorsement.

4. The Board of Directors president will also be responsible for presenting and substantiating, before the Cabinet Council, the draft of the Annual Budget of the Authority, all assessments related to rates, rights, as well as duties charged by the Authority and its concessionaires for services rendered. The president will also be called upon to rationalize the Annual Budget of the Authority before the Legislative Assembly, in which case, said official will be accompanied by the administrator who will have the right to speak.

5. Maintain the Board of Directors and the administrator abreast of National Government strategies, policies, programs and projects that may have an effect on the management, operation, conservation, maintenance and modernization of the Canal.

6. Exercise all other responsibilities that may be stipulated by this law or any other measures.

During temporary or provisional leave of absence by the president, any directors appointed for this purpose by the Board of Directors will proceed to exercise the president's responsibilities.

/SECTION TWO/

/THE ADMINISTRATOR AND DEPUTY ADMINISTRATOR/

/Article 22./ The administrator is the Authority's highest-ranking executive and its legal representative, responsible for its administration and for the implementation of the policies and decision of the Board of Directors, and he will exert his powers and attributes according to the Constitution, this law, the regulations, the Authority's annual budget, and the resolutions and agreements approved by the Board of Directors, subject to supervision by the same board, according to the respective regulations.

Fourth-removed blood relatives and second-removed relationships of the administrator or the deputy administrator may not be appointed as Authority employees.

/Article 23./ The prerequisites for the office of administrator are as follow:

1. Have a university degree or, in the opinion of the Board of Director, have the necessary practical experience for the job.

2. Have no prior convictions for criminal fraud or fraud against the public administration.

3. At the moment of his designation, he must have no fourth- removed blood relationship or second-removed relationship with any members of the Board of Directors.

4. Be at least 25 years of age.

/Article 24./ The administrator will be designated for a period of seven (7) years and may be re-elected for an additional term.

/Article 25./ The administrator will have the following duties and attributes:

1. Represent the Authority in all legal processes or administrative activities.

2. Develop and execute the decisions of the Board of Directors.

3. Establish the wages and other benefits according to the labor regulations, appoint, transfer, promote, apply disciplinary sanctions, and dismiss Authority workers and officials who are not appointed directly by the Board of Directors.

4. Prepare the Authority's Annual Budget Proposal within the deadline established by the corresponding regulation, in addition to an annual report of the Authority's activities and projects, and submit them for the Board of Directors's approval.

5. Inform the Board of Directors as often as requested regarding the Authority's activities and projects, and the implementation of other aspects of the Annual Budget when required to do so by the Board of Directors.

6. Draft proposals or regulations for the proper administration, operation, protection, maintenance, and modernization of the canal and submit them to the Board of Directors for its approval.

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7. Celebrate and award, subject to this law and its regulations, the Authority's activities and contracts.

8. Approve, subject to the respective regulation, the payment of compensations to third parties for damages caused them due to accidents in navigating through the canal as long as the compensation does not exceed the limits established by the Board of Directors.

9. Approve, subject to the respective regulations, the payment of compensations and claims for reasons other than those foreseen in number (8) of this Article.

10. Resolve the Board of Directors' consultations regarding the settlement of toll fees, rights, and rates for Canal transit and related services rendered by the Authority.

11. Manage the authority's assets, liabilities, and funds, and supervise the efficient implementation of its annual budget.

12. Submit to the Board of Directors annual financial statements audited by duly authorized certified public accountants, within four months following the respective fiscal year's end; and unaudited half-year financial statements within two months following the first half of the respective fiscal year.

13. Organize the internal management, advisory, and consultation units that are deemed necessary.

14. Coordinate the Authority's functions and activities as required with the executive branch, autonomous entities, private sector, Legislative Assembly, judicial branch, Attorney General's Office, and municipalities.

15. Submit to the Board of Directors projects for decisions, resolutions, and measures deemed necessary for the Authority's best management and when required by the Board of Directors.

16. Organize and coordinate the Canal's commercialization and marketing strategy.

17. Delegate, subject to regulations and the Board of Directors' decisions and guidelines, responsibilities, authority, and functions to other officials and employees in the Canal Authority.

18. Attend Board of Directors meetings with voting rights except those which, in the Board of Directors' opinion, must be held without his attendance.

19. Exercise a coercive jurisdiction for the collection of debts or delegate this jurisdiction to other authority officials or employees.

20. Fulfill any other duty stated by the law, regulations, or Board of Directors.

/Article 26/. The administrator will be replaced by the assistant administrator during his temporary or occasional absences. The assistant administrator must fulfill the same requirements as the administrator, and it is his duty to fill the vacancy that occurs in the administrator's post due to the incumbent's resignation or death, or for any other reason, until the corresponding replacement is appointed and sworn in.

The Board of Directors will establish in the regulations a line of succession in case of the administrator's and assistant administrator's absence.

/Article 27/. The administrator and assistant administrator can only be dismissed or removed from their posts by the Board of Directors due to a serious administrative misdemeanor, a serious violation of this law or the decisions adopted by the Board of Directors. The removal of the administrator and assistant administrator must be approved by a minimum of two-thirds (2/3) of the Board of Directors members and based on the authority's regulations.

The dismissal or removal of the administrator or assistant administration will be enforced regardless of the applicable penal sanctions.

The administrator and assistant administrator can also be dismissed or removed due to a manifest physical, mental, or administrative disability, based on a decision by the Board of Directors.

/SECTION THREE/

/THE INSPECTOR GENERAL/

/Article 28./ The Office of the Inspector General is an independent unit, tasked with conducting and supervising audits and investigations in connection with the Authority's operation.

This office should encourage administration economy, efficiency, and effectiveness; prevent and detect fraud and abuse in those operations, and recommend policies toward that goal.

/Article 29./ The inspector general will report only to the Board of Directors and will be under its general supervision. The inspector general will not be under the supervision of any other Authority official. The Board of Directors will not be able to prohibit or inhibit the inspector general from starting, carrying out, or completing any audit or investigation that the inspector general deems necessary.

/Article 30./ The inspector general will carry out the following tasks:

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1. Formulate policies for leading, directing, supervising, and coordinating audits and investigations to do with Panama Canal operations.

2. Review current and future legal norms, regulations, and procedures to do with the work of the Authority and make the pertinent recommendations regarding impact on said legislation or regulations on the Authority's economy and efficiency or in the prevention of abuse, waste, and fraud within the Authority.

3. Carry out the investigations and audits that the inspector general deems necessary or advisable and report to the Board of Directors the results of such audits or investigations, recommending the appropriate corrective actions.

4. Report expeditiously to the corresponding Republic of Panama authorities any violation to the law or criminal act.

5. Present an annual report to the Board of Directors on fraud, serious problems, abuses, waste, or deficiencies to do with the Authority's administration or finances.

6. Select, nominate, and hire those officials and employees needed to do the actions, powers, and duties of the office of the inspector general.

7. Take sworn affidavits on incidents being investigated to do with waste, fraud, or abuses in the Authority. These statements will have the same value as those taken by the appropriate investigative authorities.

8. Investigate every case presented to do with waste, abuse of authority, fraud, violation of the law, violation to regulations, and acts that are dangerous to public health or security. The inspector general will maintain confidentiality as to the source of the information and will only disclose it when it is required in the investigation.

9. Summon from individuals or public entities the information, documents, reports, background, and other necessary data and evidence for the faithful performance of duties. In the event of contempt to the summons by this official, the appropriate authorities can enforce compliance.

Paragraph: The inspector general will have access to all registers, reports, audits, reviews, documents, recommendations, or any other Authority material related to his responsibilities. The inspector general will inform the Board of Directors when this is not supplied or when access to the information is denied or help is refused for an investigation.

/Article 31./ The inspector general may be suspended or removed from his post by the Board of Directors due to a serious administrative misdemeanor, failure to comply with any part of this law, or the decisions adopted by the Board of Directors. The removal of the inspector general requires to be approved by two- thirds of the members of the Board of Directors, according to the regulations.

The suspension, removal of the inspector general can be carried out regardless of any other applicable penalty.

The inspector general can also be suspended or removed due to obvious incompetence, be it physical, mental, or administrative, if the nominating authority so decides.

/CHAPTER THREE/

/SECTION ONE/

/PATRIMONY AND BUDGET/

/Article 32./ The Authority's assets are comprised of:

1. Facilities, offices, buildings, equipment, and other types of property and real estate assigned for the Canal's operations as of 31 December 1999.

2. Any other areas, real estate, or assets that are destined, or have been destined, for the Canal's operation.

3. Revenues resulting from tolls, rights, and rates for using the Canal, the Authority's activities, and the services it renders.

4. Funds and resources assigned to the Authority by the state.

5. Revenues derived from the concessions it grants and other contracts signed according to the corresponding legal and regulatory stipulations.

6. Any other assets and rights directly or indirectly derived from the Canal's operations, or the use or lease of any asset mentioned in this article.

7. Revenues resulting from the sale of real estate or assets when the sale is authorized because it involves assets that are no longer necessary for the Canal's operations.

8. Rates resulting from the use of facilities or assets on the Canal's banks or waters, surrounding areas, or areas that comprise its assets.

9. Any other assets, rights, or properties assigned to it by a person or corporation, the law, the state, the municipalities, international organizations, state autonomous entities, or the Authority's Board of Directors.

/Article 33./ The Authority will keep a general inventory of its assets, with an appraisal of all the 108 properties that comprise it. Both the inventory and the appraisal must be updated as often as the Board of Directors determines.

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The initial inventory will comprise all the assets and real estate, equipment and facilities that were used by the United States of America, or its federal agencies, and that deal with the Canal's management, operations, conservation, and maintenance.

/Article 34./ The Authority will operate according to a three- year financial planning and management system, with annual implementation and control, without detriment to the fact that it will prepare long-term projections because its activities are linked with international maritime trade.

/Article 35./ The Authority's annual budget will be prepared in advance according to the regulations and it will include the dates in which the fiscal year begins and ends. The Authority's budget will not be part of the general state budget, nor will the general state budget's provisions will be applied to the Authority.

Expenses will balance with the revenues in the Authority's annual budget and, if a financial balance fails to be achieved, the administrator will recommend to the Board of Directors the measures intended to maintain a balance between expenses and revenues. In no case will the Board of Directors fail to propose a balanced budget.

/Article 36./ The Authority will submit its draft budget to the cabinet council, which will only be able to make modifications with the favorable vote of three fourths (3/4) of all its members. Once the budget is approved by the cabinet council the latter will send it to the Legislative Assembly.

The Legislative Assembly can only approve or reject the draft budget. The absolute majority vote of its members is required to reject the draft budget. In this case, the previous fiscal year's budget will remain in effect, with the reforms and adjustments that the Board of Directors proposes to the cabinet council, and that the latter approves, to guarantee the Canal will continue to operate in a safe, uninterrupted, and efficient manner.

If a vote is not cast on the Authority's budget by the first day of the corresponding fiscal year, the draft budget proposed by the Authority will become effective, and it will be adopted based on a cabinet council decision.

Allocations included in the draft budget for the Authority's public debt, the fulfillment of labor and contract obligations, and the financing of investments will be automatically approved in both cases.

/Article 37./ The administrator will make the appropriate budget adjustments if it is necessary to incur expenses that are not foreseen in the annual budget and if their disbursement is urgently needed and essential to maintain an uninterrupted operation of the international public service rendered by the Canal.

/SECTION TWO/

/PAYMENTS TO THE REPUBLIC OF PANAMA/

/Article 38./ The Authority will pay the National Treasury an annual amount per Panama Canal net ton or its equivalency for each vessel transiting the Canal for which tolls are charged. This amount will be set by the Authority and will not be lower than what the Republic of Panama will have been receiving until 31 December 1999.

/SECTION THREE/

/SUPERVISION/

/EXEMPTIONS AND PAYMENTS/

/Article 39./ The Authority will have an internal audit system assigned to the Office of the Inspector General for the supervision and control of the handling of funds and assets. The Board of Directors can also contract the services of outside auditors. In any case, the Office of the Comptroller General will follow up with its own audit.

/Article 40./ Once costs for Canal operations, maintenance, modernization, and expansion are met, as well as the necessary contingency reserves provided for in the law and regulations, the surplus will be forwarded to the National Treasury during the next fiscal period.

/Article 41./ The Authority will have the jurisdiction to enforce the collection or fulfillment of obligations owed to it.

In addition to the documents listed in the Judicial Code, internal audit certifications on overdue obligations of any nature pending payment to the Authority will have executory authority [merito ejecutivo].

/Article 42./ The Authority is exempted from paying any form of taxes, fees, rate, charge, or contribution, either national or municipal, except contribution payments to the Social Security Fund, Education Insurance, worker's compensation, public utilities, and what Article 38 of this law describes.

/Article 43./ The Authority's funds cannot be used to purchase financial investment instruments issued by either Panamanian or foreign public or private entities. Nor can these funds be used to grant loans to these entities or to the central government.

/Article 44./ The national government cannot commit gross revenues that are earned by or through the Authority. Nor can the national government offer any

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of the Authority's assets as a guarantee for loans or for any financial transaction made by either the state or by any state autonomous institution.

Nor can the national government independently charge any expenditure to the Canal's operation, functioning, and maintenance accounts.

/Article 45./ Neither the national government nor the Authority will pay for any debt, obligation, or financial obligation that had been acquired prior to 31 December 1999 unless these are supported by funds that had been received from the Panama Canal Commission's liquidation or unless these are the result of expressed acknowledgements or commitments that the state had made for the Canal transfer.

/Article 46./ Without detriment to the provisions of this law, the Authority will not make any payment or transfer any money to any state or private individual or corporation unless the Authority had either contracted services or had acquired assets from or a legal obligation with said individual or corporation.

/Article 47./ The Authority can render services under a contract with state, governmental or nongovernmental entities, and private enterprises through the execution of a security for payment or a deposit that should be similar to those provided for in Article 82 of this law and those stipulated in the Authority's regulations.

/Article 48./ The Authority can dispose on behalf of the state, autonomous institutions, individuals, or corporations of any of its assets or real estate pertaining to its assets that may be unnecessary for the Canal's operation or functioning.

/Article 49./ With the Cabinet Council's prior approval and in order to dispose of funds for emergency expenditures or to make investments, the Authority can engage in loans or in any other financial obligation that will not exceed as a whole the amount of two hundred and fifty million balboas (B/250,000,000.00).

/Article 50./ The maximum term for a concession or rental contract will be twenty (20) years. However, these contracts can be extended up to a maximum term of forty (40) years when in the opinion of the Board of Directors as stated in a resolution issued for this purpose, it involves projects with an investment amount or an economic impact or an employment potential that requires a longer than usual term.

/SECTION FOUR/

/CONTRACTS FOR WORK, GOODS, AND SERVICES/

/Article 51./ With regard to the contract for work, goods, and services, the Authority has the exclusive responsibility of establishing the regulations to implement the general norms contained in this section.

/Article 52./ For contracts that require the selection of contractors from competing proposals, the Authority will use the established regulation prequalification norms with the vying individuals or companies to be able to select the most competent contractor from the technical, administrative, and financial points of view.

/Article 53./ The regulations covering the activities mentioned in Article 51 will establish a system to guarantee that the required work, goods, and services are of the highest quality, have the best prices, and the most timely delivery date or completion of the work required. The system will be established on the following basis:

1. The efficient and expeditious procurement of the required services and supplies.

2. The decentralized delegation of authority to contract.

3. There will be an effort to get the greatest number of contractors to participate.

4. Without detriment to the quality of the work, there will be flexibility in preparing contract specifications to promote the participation of contractors.

5. There will be impartiality in decisionmaking.

6. There will be equality with regard to contractors.

7. The expenses will be subsequently audited.

8. There will be enough flexibility to make decisions in emergency situations.

/Article 54./ The regulations dictated by the Authority will contain rulings to establish mechanisms for the objective selection of contractors and the maximum authorized amounts for each type of contract, if so required.

/Article 55./ The Authority can have direct contracts or allow suppliers to participate in a limited manner in the following cases:

1. When, in the Authority's view, there is an urgent need that does not allow for the necessary time to hold the public action to select a contractor.

2. When it refers to purchases, services, or rentals for which there is only one bidder or if a specialized office in the Authority has determined in a technical report that an adequate substitute cannot be found.

3. When two public contractor selection activities have been held and have been declared void.

4. For authorized contracts or those regulated by special law.

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5. When the contracts require financing that cannot be separated from specific contractors.

6. When the contracts are simple extensions of existent contracts..

7. When contracts are held between the Authority and other government institutions.

8. In exchange contracts to secure real estate and once an appraisal has been made.

9. In the contract for rental or purchase of real estate.

10. In contracts for goods and services that have the same price in the entire activity sector. In those cases, the proponent or proponents offering the best guarantees to the Authority, on experience, efficiency, and service, will be selected.

/Article 56./ Regarding contracts, the Authority will not be responsible for actions carried out by its officials if they fraudulently modify their authority in order to make illegal substitutions that could cause damage to third parties.

/Article 57./ The conflicts or differences that could arise from the interpretation or effects of contracts between the Authority in Panama and foreign individuals or companies will be subject to Panamanian law and will be resolved in accordance to the arbitration clause included in same or at a competent court of justice to be selected by the contractor.

/Article 58./ If, in the exercise of procuring supplies and holding contracts, a void arises that this law or the regulations cannot correct, the special laws on public contracts and the fiscal and civil laws will additionally be applied.

/CHAPTER FOUR/

/SHIPS AND NAVIGATION/

/Article 59./ The Authority will regulate:

1. Navigation in the Canal;

2. The transit, inspection, and control of ships and all other activities involving navigation in the Canal and the ports adjacent to it, including maritime security, piloting, and the issuance of special licenses to the pilots and machinists of ships and other floating equipment used in the Canal area.

/SECTION ONE/

/TECHNICAL BOARD OF INSPECTORS/

/Article 60. The Authority will have a Technical Board of Inspectors that will have the following duties:

1. Inspect and investigate events, actions, and omissions that may prove harmful to ships, their cargo, crew, or passengers, or to the Authority's property or employees as a result of transiting the Canal.

2. Other duties assigned to it by the regulations.

/Article 61./ In any of the inspections or investigations to which the previous article refers, the Technical Board of Inspectors will be able to:

1. Summon witnesses or individuals to testify on matters in which they are competent.

2. Swear in witnesses.

3. Require the presentation of books or documents necessary to the case's outcome.

4. Obtain the support of the police for the fulfillment of the previous duties when an individual refuses to appear or to supply the books or documents requested. If these refusals are unjustified, they are subject to a fine in accordance with this Law anD the Regulations.

/Article 62./ The investigations, inspections, and other requirements mentioned in this section will be implemented according to this Law and the Regulations.

/SECTION TWO/

/DAMAGES RESULTING FROM NAVIGATION/

/Article 63./ The Authority, with the exceptions established in this section, must promptly settle and pay compensation for damages caused to ships or to their cargo, crew, or passengers as a result of transiting the Canal, whether the damage was caused during the ships' transit of the locks or during the ships' presence in the Canal or in adjacent areas beyond the locks; when the damage is caused by the fault or negligence of the Authority or one of its employee working within his sphere of duties or exercising those duties with regard to the Canal's operation.

If any fault or negligence on the part of the ship's fitter or owner, the captain, crew, or passengers contributes to the damage, the compensation awarded for the damages will be proportionately deducted from the part of the negligence or blame attributable to the ship, the captain, his crew, or his passengers.

Article 64. Despite the arrangements established in the previous Article, the Authority will not acknowledge any compensation whatsoever if at the time of the accident the ship was not under the control of a pilot employed by the Authority, as it should be in accordance with the Regulations, except when the damages are caused by another ship that was under the control of a pilot of the Authority.

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/Article 65./ There will be no acknowledgement, adjustment, or payment for damages caused to any protrusion, whether permanent or temporary, that extends beyond any part of the hull.

/Article 66./ In cases of yachts or other small vessels defined in the Regulations, the Authority will not acknowledge, settle, or pay any compensation whatsoever for damages caused to such ships, their hulls, crews, or passengers while they are transiting the locks or during their presence in the Canal or in adjacent areas beyond the locks.

/Article 67./ The period for filing claims with the Authority in accordance with Article 63 is two (2) years, starting on the date on which the damage was caused.

/Article 68./ The following factors may be considered to establish the cost of the damage caused to a vessel:

1. The real or estimated cost of repairs;

2. The freight the owners have in fact lost or the freight that has been paid for, depending on the terms of the freight contract for the time the vessel is undergoing repairs;

3. The maintenance of the vessel and the crew's salaries, if it is established that these were indeed expenditures and losses incurred in addition to the chartering; and

4. Other costs that are accurately demonstrated and that have been necessary on account of the accident and damages.

Every claim must be accompanied by corroborating evidence.

/Article 69./ Fees and commissions by agents or other similar expenditures or any other expenditures for an indefinite period, impossible to determine, or subject to speculation or conjectures will not be paid.

If the vessel is not chartered but operated directly by its owner, proof shall be obtained, if available, of the amount for which a vessel of the same size and kind can be chartered in the market. If it is not possible to establish chartering cost, the value of its use for its owners in the business in which it was being utilized at the time the vessel suffered the damages will be the basis on which to assess the damages caused by the detention of the vessel. The owners' accounting books that show the revenues of the vessel for dates close to the time of the accident or damages will be regarded as proof of probable earnings during the period of detention. If these books are not available, other acceptable proof should be submitted.

/Article 70./ Given the nature and characteristics of the Canal operations, the Authority will not be responsible for damages stemming from stays or delays while in transit through the Canal and, consequently, claims caused by the following events and circumstances will not be considered:

1. Mud slides or other natural causes;

2. Construction or maintenance work in the Canal locks, its terminals, and equipment;

3. Obstruction that may arise from accidents;

4. The vessel's surface;

5. Congestion owing to the traffic of vessels;

6. Investigation of any accident if it is not conducted within a 24-hour period from the moment it occurs.

7. Nor will the Authority be responsible for damages arising from any other cause not specified in this law.

/Article 71./ Regardless of the terms outlined in the previous article's item number six, the Authority will pay compensation caused by stays and delays while in transit through the Canal if the following circumstances occur:

1. The investigation of the respective accident exceeds 24 hours; and

2. The accident is attributable to the fault or negligence of any person working for the Authority while performing his official functions.

Paragraph: In every case, the compensation the Authority is to pay will be limited to the extent to which the employee's conduct causes or contributes to the accident.

/Article 72./ By means of a mutual accord, pledge, or transaction of some kind, the Authority will establish the amount of the damages, based on the terms established in this section. The claimant's acceptance of the established amount will put and end to the respective claim.

/Article 73./ The claimant who disagrees with the decision on the damages mentioned in this section and who disagrees with the corresponding adjustment made by the Authority, will be able to sue the Authority before the Republic of Panama's Maritime Court, which will be the exclusive venue. The deadline to take this action will be one year from the moment the claimant or a duly authorized representative is notified of the final decision regarding the compensation to be paid by the Authority, as mandated by the Regulations.

/Article 74./ Suits or claims against the Authority or any employee for the motives mentioned in this section that do not correspond to the provisions of this section shall

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not be admissible. The actions, jurisdiction, and venue established in this section are exclusive.

/Article 75./ Any compensation for damages the Authority is to pay in accordance with the terms established in this section must come from the funds the Authority has earmarked for this purpose, in accordance with the Law and Regulations.

/Article 76./ No action for damages mentioned in this section may be taken except if the following conditions have been met before the vessel in question leaves the Canal:

1. The investigation of the accident and damages has been completed based on a procedure that will include a hearing by the Authority's Technical Board of Inspectors, as ordered by this Law and in the Regulations; and

2. The reasons employed to file the claim have been submitted to the Authority.

/SECTION THREE/

/DAMAGES CAUSED TO THE AUTHORITY, ITS WORKERS, OR ITS ESTATE/

/Article 77./ There will be liability, independent of contracts, for damages caused to the Authority, its workers, or its estate as a result of deceit, fault, or negligence.

In these cases the Authority has two (2) years from the moment the damage is caused to its estate to claim damages.

/SECTION FOUR/

/CANAL TOLL AND SERVICE RATES/

/Article 78./ The Authority will establish the tolls that will be charged for use of the Canal, the fees for services rendered, and the regulations for the measurement of ship tonnage.

/Article 79./ Tolls will be established based on rates that will generate enough income to cover:

1. The maintenance and operational costs of the Canal and its installations, belongings, and extensions, including depreciation, labor, and required reserves;

2. Payments to the National Treasury established in the Constitution and in this Law;

3. Capital for the replacement of equipment, expansions, improvement, and modernization of the Canal.

The rights and rates to be established for other services will take into consideration the costs such services entail.

4. Interests and depreciation charges on the estimated Canal value.

The toll and rates established by the Authority will take into consideration the conditions for operating the Canal in an uninterrupted, efficient, competitive, and profitable way.

/Article 80./ Vessels that because of existing international treaties signed by Panama prior to the promulgation of this Law are exempted from paying tolls for transiting through the Canal will not pay tolls.

/Article 81./ Neither the state nor the Authority can exonerate any vessel from paying tolls or Canal fees and service charges.

/Article 82./ Canal users who must pay tolls, fees, and rates will deposit in cash, using Panama's legal currency or in a currency established by the Authority, an amount equivalent to the cost of the service, prior to the rendering of the requested service.

The deposit mentioned here can be substituted by a guarantee from a bank that complies with requirements from the Authority.

/Article 83./ The Authority can request, as a prior condition for the vessels' transit, that they clearly establish their financial liability as well as reasonable and adequate indemnity payment guarantees consistent with international norms for damages resulting from actions or negligence by vessels in passing through the Canal.

In the case of vessels that belong to a state, that are operated by a state, or for which a state assumes responsibility, a certification from the state vouching that it will fulfill its obligation to pay, in line with international law, for damages resulting from actions or negligence by such vessels during their transit through the Canal, will be enough to acknowledge that state's financial liability.

/Article 84./ The Authority will provide to interested parties, the opportunity to participate in consultation processes aimed at modifying tolls and the tonnage measurement rules. The interested parties may participate by presenting in writing information, opinions, and arguments and by attending a public audience to be held no less than 30 days after the publication of an advertisement.

/CHAPTER FIVE/

/PERSONNEL MANAGEMENT AND LABOR RELATIONS/

/Article 85./ The Panama Canal Authority will be subject to a special labor system based on a system

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of merit and will adopt a General Employment Plan that will maintain, as a minimum, labor conditions and rights similar to the ones in effect on 31 December 1999. Permanent workers and those eligible for the special retirement program in that year whose capabilities are determined to be necessary according to applicable guidelines will be guaranteed being hired with benefits and conditions equal to the ones they had up to that date.

As a consequence, the provisions of the Labor Code and the Administrative Code, as well as legal, regulatory, substantive, or procedural norms, establishing salaries, bonuses, jurisdictions, or procedures, except for what this law expressly stipulates, will not be applicable to the Authority's workers.

/Article 86./ The Panama Canal Authority's special labor system will be based on the principles of merit and equal opportunity. There will be no discrimination based on gender, race, age, religion, marital status, political ideology, or handicap. The Authority will determine, through regulations, the special labor system's exceptions applicable to the chiefs of each directorate and each independent unit.

/Article 87./ In order to guarantee a highly qualified labor force based on its merits, the Authority will receive the applications, will determine the qualifications, and will examine the applicants' suitability. The Regulation will develop the organizations and policies of the office in charge of the applicants' admissions and tests.

/Article 88./ In an effort to promote the labor force's capacity, stability, and productivity required for the Canal's efficient administration, operation, and maintenance, the Authority will guarantee the following:

1. Hiring, transfers, and promotions by a contest of merit based on the education, qualities, suitability, and experience of workers or candidates;

2. Job classification according to the duties' complexity and the posts' responsibilities;

3. Compensations determined by salary tables according to the job classification;

4. The combined vacation and leave of absence system;

5. Work shifts [jornadas de trabajo];

6. Compensation for vacation, leaves of absence, overtime work, Sunday and holiday work, night shifts, and work under difficult, rigorous, or dangerous environmental conditions;

7. Performance appraisal programs, awards and incentives for outstanding performance, bonuses;

8. Continuous personnel training programs;

9. Occupational health and hazard prevention programs, as well as industrial security programs attuned to the labor force's needs;

10. Special assistance and rehabilitation programs for workers;

11. The preference system applicable to firings for reduction in force and the special placement program for employees who have been separated or demoted for reduction in force, who have sustained work-related accidents, or who have been fired for unjustified reasons;

12. A system applicable to temporary suspension of work for reasons not attributed to the employees;

13. Payment of indemnifications or wages unpaid or not collected for work suspension or unjustified firing;

14. A system of freedom of information, information confidentiality, and protection for those who file charges for abuse of authority, actions against the Authority's patrimony, or any other dishonest or illegal action that, in the workers' opinion, must be reported;

15. A system to file complaints and the right to appeal for personnel actions not favoring workers, a system that will include a system of arbitration, unfair practices [as published], and an administrative hearing system.

16. A system of management-labor relations, which must recognize the accused's right to represent all the Authority's employees, negotiate on their behalf, and recommend all those matters considered to be pertinent for the maintenance, improvement, and establishment of job conditions.

The Board of Directors, through regulations, will draft the rights, programs, and principles stipulated in this article.

/Article 89./ If Panamanians and foreigners apply for positions in the Authority, Panamanians will be preferred over foreigners so the national worker's labor conditions and lifestyle are not limited by hiring foreigners. If only foreigners apply, those married to nationals or those who have lived in the Republic of Panama for 10 consecutive years will be preferred. A foreigner will be hired in place of a national only in posts where recruitment is difficult, provided all the options have been exhausted to find a qualified national in the Panamanian job market, with the Administrator's authorization.

/Article 90./ The principle of the Authority workers' job security is guaranteed. The working relationship can only be terminated by a resignation, retirement, dismissal for justified reasons, death, mutual agreement, or reduction in personnel.

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/Article 91./ The Authority's workers are dutybound to comply with this Law and Regulations and, similarly, the Authority is responsible for keeping order and discipline at work. The Authority also has an obligation to apply sanctions against all the workers who do not fulfill, or diverge from, the standards dealing with the conduct or performance demanded by the Law and Regulations.

/Article 92./ The Authority will establish the standards of conduct or ethics applicable to all its officials and employees. These standards should address at least the following issues:

a. Wrongful use of the Authority's official assets.

b. Unofficial activities.

c. Using a position for personal benefit.

d. Real or apparent conflict of interest.

e. Gifts or presents from private sources or among employees.

f. Financial disclosure.

g. Restrictions to former employees, officials, and members of the Authority's Board of Directors regarding certain activities.

h. Any other inappropriate conduct by officials, employees, and members of the Authority's Board of Directors.

All Authority officials and employees must receive mandatory training on the Code of Ethics and on the changes therein.

/Article 93./ Disciplinary actions and adverse measures involve the enforcement, by the Authority, of reasonable norms of conduct and on-the-job efficiency for all the Canal Authority workers, to correct and remove workers whose performance, conduct, or efficiency deviates from the norms or standards demanded by the Law and Regulations.

The Regulations will define the procedures that are applicable as disciplinary and adverse measures, as well as the rights granted to the official and the employee.

The use of disciplinary or adverse measures will be carried out without detriment to the official's or the employee's civil or penal responsibility regarding the same incident.

/Article 94./ Sanctions will depend on the type of misdemeanor and the workers' degree of responsibility. The Regulations will set up a list of misdemeanors and sanctions, an expiration date for the misdemeanors, as well as the minimum and maximum sanction applicable for each misdemeanor. The list of misdemeanors will allow the Authority to enforce progressive disciplinary measures for a valid reason and it will also allow the worker to correct his behavior, except in the case of a severe misdemeanor that merits the worker's dismisal.

In no case will the applicable sanctions exceed those established in the regulations that are still in effect on 31 December 1999 for the same misdemeanors and circumstances.

/Article 95./ The Panama Canal operations cannot be interrupted, either totally or partially, nor can they fail for any reason to guarantee that the international public service for which the Canal was created will not be affected.

In case of a strike or any other unwarranted suspension of activities, slowdown, feigned sickness, or other similar actions, the Authority will adopt the necessary measures to immediately restore the service, and it will apply the sanctions established in the Law and Regulations.

/Article 96./ The Authority's workers have the right to join unions or to freely participate in activities or abstain from participating in them without fear of reprisals. Regarding their recognition and organization, the Authority's unions will follow the Labor Code provisions.

The Authority's workers will be able to act as union representatives and present their organization's viewpoints before the Authority. In any case, unionized workers will have the right to be represented by the Union.

/Article 97./ The unions will have the right to negotiate labor conditions through collective conventions by means of representatives elected by the workers.

The following issues will not be subjected to collective bargaining:

1. The adoption of emergency measures for the Canal's operations.

2. The appointment, assignment of work, dismissals, the retention of workers, and disciplinary measures against them.

3. The budget, organization, functions, and internal practices of the Authority's security.

4. The setting of wage scales and individual salaries.

5. The determination of the amount and nature of the positions required for the Canal's operations.

6. The contracts pertaining to the acquisition of goods, implementation of projecs, and offering of services.

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The stipulations of this article notwithstanding, the procedures and effects of the implementation of these measures could be negotiated with the unions.

/Article 98./ We hereby create the Labor Relations Board, which will be comprised of three members and their alternates, who will be appointed as follows: one by the Panama Canal Authority, one by the unions, and the other by the president of the Republic through the Labor and Social Welfare Ministry.

The Labor Relations Board will made its decisions with full autonomy and independence.

/Article 99./ The Labor Relations Board's duties are as follows:

1. Promote the expeditious resolution of appeals, disagreements, and complaints.

2. Be aware of and decide on cases of unfair practices and mediation. Its decisions on this matter could be appealed only by the Supreme Court of Justice's Third Court.

3. Be aware and act as a facilitator or mediating counselor in arbitration cases, as long as the parties agree to request its intervention.

4. Promote settlements among the parties to resolve the conflict that triggered the arbitration. if they disagree on their decisions the two parties or one party will have the option to continue with the arbitration process to have the dispute settled by an arbitrator's judgment.

5. Be aware and decide in the administrative appeal processes and the complaints for violations of the equal opportunity norms, the freedom of information norms, and the norms pertaining to the right to confidentiality. Its decisions on this matter could be appealed only by the Supreme Court of Justice's Third Court.

6. Promote the cooperation between workers and employers and the relations between the Authority and the workers represented by their unions.

/Article 100./ The complaints and appeals for working conditions and the demands pertaining to violations of the norms regarding the system of merits, job classification, equal opportunity norms, and the system of disciplinary and adverse measures will be discussed in the manner this LAw, the Regulations, and the Collective Conventions stipulate.

/Article 101./ The worker must resort to direct channels by submitting his complaints to his immediate supervisors. The settlement of conflicts at the lowest supervisory level possible, and in an informal manner, will be advocated without detriment to the worker's right to represent himself or to be represented by a labor union. When dealing with disciplinary measures or adverse actions, the use of a direct channel will be exhausted so the worker may resort to the administrative office stipulated by the regulations. In all these cases, when the ruling is against the worker, he will have the right to ask the labor union to submit his case to arbitration.

/Article 102./ The worker may resort to the Labor Relations Board for it to decide if his right to seek arbitration has been unjustifiably denied by the respective labor union or if arbitration is necessary to determine the worker's basic rights as foreseen in this Law.

/Article 103./ In order to comply with the arbitration procedure regulations contained in the preceding articles, the body of arbitrators — which will act with autonomy and independence — will be appointed in accordance with the regulations. It will have enough members to guarantee the timely solution of pending matters, and will act on a rotating basis. They will be selected based on their experience and background, as well as their knowledge of the special labor system applicable to the Authority.

The Authority will assume the cost of training the body of arbitrators. The cost of the arbitration will be divided in equal parts among the parties involved.

/Article 104./ Arbitration procedures and arbitration decisions are the last administrative resort for solving a controversy. If the decision is adverse for the employee, he will have a right to appeal it before the Third Chamber of the Supreme Court of Justice within 30 days after the notification of the pertinent ruling. If the arbitration decision or Supreme Court ruling is favorable to the worker, he will be entitled to a reversion of the personnel action subject to arbitration and will be paid pending salaries and fringe benefits stipulated in the arbitration decision or respective sentence.

/Article 105./ In collective conflicts, arbitration will be obligatory to reconcile the interests of both parties.

In case of unfair practices, both the Authority and the union will have the right to have the case settled by arbitration. Unfair practices will be defined in the Regulations.

/Article 106./ Employees and officials of the Authority are banned from carrying out political propaganda activities during office hours or using their position as influence to serve the interests of specific candidates in the electoral process or the organizations nominating them. The regulations will establish the corresponding punishment for workers who violate this prohibition.

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/Article 107./ The only dates to be observed as obligatory national holidays or national mourning days are the following:

1. 1 and 9 January

2. Carnival Tuesday

3. Good Friday

4. 1 May

5. 3, 10, 28 November

6. 8, 25 December

7. The day the president of the Republic takes office

8. Holidays or national mourning days decreed by the executive branch

Subparagraph: On obligatory holidays or national mourning days, the necessary number of workers should be scheduled in order to effectively carry out the work and guarantee the uninterrupted operation of the Canal. The regulations will establish the corresponding compensations.

/CHAPTER SIX/

/MAINTENANCE/

/Article 108./ The authority will adopt the maintenance, improvement, and replacement programs necessary for the uninterrupted and efficient operation of the Canal to ensure the transit of ships twenty-four (24) hours a day and every day of the year, as well as render the services and further the activities organized by the authority.

/Article 109./ The programs mentioned in the previous article will be based on the following principles and policies:

1. To give high-quality service to the users of the Canal, concentrating on reducing as much as possible the average time used by ships to transit the waterway.

2. To prevent the interruptions of said transit as a result of damaged equipment.

3. To further policies and practices that will allow the implementation of dynamic maintenance programs, susceptible of being adjusted periodically, in keeping with the existent needs.

4. To specify the necessary intervals for short-, medium-, and long-term programs in keeping with the nature of applicable techniques (including review, evaluation, and modification) and the requirements for adequate temporariness.

5. To give constant attention to the objective of reducing maintenance costs in general by investing in modern equipment that require less manpower and increase users' accounting.

6. To adjust the aforementioned programs to the corresponding laws and regulations, as well as to pertinent business principles.

7. To guarantee the programs effectiveness and efficiency.

8. To establish reserve funds (equipment and installation renewal, construction or improvement of installations or infrastructure, maintenance in general) for the financing of the mentioned programs.

9. To specify the required actions, such as maintenance itself, preventive maintenance, repairs, renewals, improvements, modernizations, replacements, and others.

10. To procure, through the aforementioned programs, the secure, trustworthy, efficiency, and uninterrupted operation of a large variety of mobile or fixed structures and systems and equipment for the canal's operation.

11. To hold maintenance contracts when they are feasible, operational, and economical.

12. To encourage the rest of the principles and policies in the authority's regulations.

/Article 110./ The authority will establish and regulate the following specific maintenance, improvement, and replacement programs:

1. Set of locks (gates, valves, and other components);

2. Floating equipment.

3. Water works (lock security, drainage, stabilization of basins, canals, trenches, navigation aids, aquatic vegetation control.)

4. Buildings, structures, installations.

5. Motor vehicles and heavy equipment.

6. Assorted maintenance (includes any other maintenance programs in the entire Canal area.)

/Article 111./ The regulation adopted by the authority on water resources in the Canal's hydrographic basin will have as its main objective, among others:

1. To guarantee the availability of water resources for the operation of the Canal and the supply of water to the cities of Panama and Colon.

2. To decrease and stop the erosion of natural resources in the hydrographic basin so as to prevent the decrease in the required supply of water mentioned in number one.

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/Article 112./ The authority will approve the necessary regulations for:

1. The protection, conservation, maintenance, and improvement of the environment in the canal area and its hydrographic basin, in coordination with the competent authorities;

2. The prevention and control of disasters, the disposal of waste and discharge from vessels, mainly industrial waste; the transit of dangerous cargo, which that may cause ecological damage, or any other kind of cargo; handling of rubble; removal of waste during anchoring; the protection of environmental health and the execution of environmental impact studies on the projected works concerning the canal;

3. The prevention and control of spills of hydrocarbons and noxious substances to protect the environment and ecological balance of the canal area waters and lakes;

4. The disposal of dredged material from the excavations and the dredging of the canal bed, ports, and nearby waters;

5. The cleaning of canal waters and coordination with competent authorities to guarantee the quality of waters within its hydrographic basin;

6. The supervision of the quantity and quality of water in the canal's hydrographic basin and in areas affecting the same.

7. The evaluation, through interdisciplinary consultation within the authority, of the environmental impact of any works and activities, as well as measures pertaining to the conservation of the environment in the canal area and its hydrographic basin, taking into consideration the general regulations existing in Panama;

8. The disposal of water through spillways in order to control floods and contamination;

9. The maintenance of the main and auxiliary dams;

10. The regulation and damming of necessary waters for the functioning of the canal;

11. The program for the collection of data on precipitation, discharge, rainfall, sedimentation, and other important indicators for said collection;

12. The coordination with government authorities that have any responsibility over the hydrographic basin, including those authorities empowered by the law to prohibit and penalize the use of water resources;

13. Guaranteeing the functioning of the meteorologic network within the canal's hydrographic basin;

14. The control on proliferation of aquatic weed;

15. Mitigating and stopping any type of activity that may cause the degradation of the natural resources of the canal's hydrographic basin;

16. Any other regulation on this matter.

/FINAL PROVISIONS/

/Article 113./ The domicile of the authority will be in Panama City. The authority will also be able to have offices in other country or countries as appropriate.

/Article 114./ The authority will publish an official newspaper to publicize the provisions it will adopt. This official newspaper must publish:

1) Regulations

2) Manuals

3) The changes recommended in the tolls or measurement systems mentioned in the article

4) Whatever the board of directors or the administrator decide.

/Article 115./ The authority will enjoy all the powers, rights, and privileges that the law grants the state in the judicial proceedings to which it is a party.

/Article 116./ The provisional suspension of any action of the authority brought before a court, in regards to an administrative dispute, cannot be decreed; the suspension of an action from the authority, for which a constitutional guarantee appeal is filed, is not admissible.

/Article 117./ Every violation of the provisions of this law or the regulations pertaining to the canal navigation security norms, will be penalized by the authority with a fine of up to fifty thousand balboas (50,000). The following will be considered when determining the amount of the fine:

1. Whether an individual or corporation is involved;

2. The nature and classification of the offense;

3. The fact the violator may be a second-time offender;

4. The extenuating or aggravating circumstances surrounding the offense.

The regulation will determine the application of these sanctions.

/Article 118./ If the individual fails to pay the fine in the period stipulated in the regulation, the authority may collect the fine through legal proceedings or may establish a prison term, at a rate of one day of internment for every one hundred balboas (B/100) of fine.

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/Article 119./ In the case of a corporation, the offender unwilling to pay the fine will be levied a 1 percent surcharge for every 10 working days in default. At any moment during said period, the authority will be able to collect the unpaid fine and the accumulated surcharge as it deems advisable.

/TEMPORARY PROVISIONS/

/Article 120./ In order to exert effective controls, the Panama Canal Authority will request a general inventory, prior to 31 December 1999, using follow-up and control mechanisms for receipts and disbursements. This will be done in an effort to match this inventory with the one presented by the Panama Canal Commission at the time of the canal transition.

/Article 121./ Once the canal is transferred to the Republic of Panama, the Public Registry, at the request of the authority, will register all lands and improvements built on them, which are used for the functioning of the canal, so as to make them one or several properties registered under the authority's name.

/Article 122./ The state will provide the authority, or the office tasked with the canal transition, with the funds necessary for its operation during the transition period that will end on 31 December 1999. These funds can be reimbursed to the government by virtue of an agreement between the state and the authority.

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Argentina

Argentina: U.S. Support for Defense Minister Viewed

PY3105181696 Buenos Aires LA NACION in Spanish 31 May 96 p 9

[Commentary by Mariano Obarrio]

[FBIS Translated Text] The arms smuggling would have toppled anyone very quickly, but the minister is still holding on after 15 months, although his prestige is very low.

Oscar Camilion owes a great debt of gratitude to the United States as far as his survival at the head of the Defense Ministry is concerned. Despite his loss of prestige, the minister is still a trustworthy figure for the U.S. defense policy for Latin America, although the U.S. State Department downplayed this on 30 May.

Camilion's survival 15 months after the scandal over the illegal sale of Argentine weapons to Ecuador and Croatia broke out is an interesting enigma worthy of solving. Any other person in a similar situation would have obviously gone down.

Not every official burdened by a court investigation gets a love letter like the one U.S. Secretary of Defense William J. Perry sent to the embattled Camilion. "My government is prepared to continue working with you," Perry eulogized.

There are parochial interests as well. Carlos Menem does not like to bow to pressure. According to the experts "he is now more conservative than ever" regarding indicted — or to use the more fashionable term "harassed" — officials.

On the other hand, the president hinted last week that he has reliable information that "third or fourth level officials" did the smuggling. Menem apparently feels that Camilion's looking the other way does not deserve punishment. In fact, the charges against Hayton Trade and its accomplices in the arms deal were filed by the National Treasury Prosecutor's office.

Camilion's U.S. support comes basically from his friend Perry. In January 1995 the two established the Bilateral Consultative Committee for Defense Affairs, comprised of military and civilian personnel.

In October 1995 the two managed to bring Latin American defense ministers together in Williamsburg, and there will be another meeting of this kind in Bariloche, Argentina in October 1996. They feel that the relationship between U.S. defense institutions and those of the rest of the Americas has been reestablished. Camilion claims credit for playing a significant role in the reconciliation between the United States and Brazil on this issue.

In the past, these ties involved only the military; the politicians seemed to be excluded.

It is said that Camilion has won the trust of the United States, which wanted to monitor the military forces of the Southern Cone countries with specific objectives in mind: reorganization and drug enforcement. It is possible that Argentina will benefit by gaining access to some sort of First World technology, armaments, and training.

Thus, in Perry's eyes Camilion is a good minister. Camilion's agenda, however, includes a post-haste reorganization of the Argentine Armed Forces, and setting up the Bariloche meeting. Therefore, the golf-playing official needed political leverage. At the helm of a ministry in flames, he lost prestige in the eyes of the people but came out the winner in his squabbles with several military chiefs. His problem is at home.

Argentina: IMF's Camdessus Meets With Labor Leaders

PY3005141196 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1259 GMT 28 May 96

[FBIS Translated Text] Buenos Aires, 28 May (NA) — CGT [General Confederation of Labor] Secretary General Gerardo Martinez today underlined "the gesture" of IMF Managing Director Michel Camdessus to visit the headquarters of the labor movement. Martinez said that both leaders expressed contradictory opinions about various aspects of Argentina's economic reality.

Martinez said that the CGT had the opportunity yesterday to explain to Camdessus how workers see Argentina's reality. Martinez stressed the importance of the event because "no one can deny the important role of this international organization in our country's macroeconomic decisions."

During a dialogue with a radio station, Martinez said Camdessus stressed that he was "very proud of the Argentine people, the structural changes that have been implemented, and what was done to control and defeat inflation," adding, however, that "naturally, the change process must continue."

The labor leader said that they agreed to "maintain permanent relations" through the delegation of the international organization established here "in order to monitor the fulfillment of government commitments with the IMF."

Yesterday the CGT rejected Camdessus' request for more flexibility on the part of labor in order to instill

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"more dynamism in the economy and create jobs." Martinez responded to this demand by emphasizing that it is the turn of "entrepreneurial and financial groups" to introduce more economic flexibility.

The IMF managing director met for nearly two hours with the CGT Executive Council. During the meeting, Camdessus and the CGT also disagreed on the effects of the market economy and the adjustments recommended to debtor countries by the organization.

Martinez answered the request for more flexibility on the part of labor by pointing out that "since 1989 labor costs dropped by 24 percent and workers have done their share in favor of structural changes and a competitive economy."

Martinez said that council members told the IMF director that "there are areas that have a great effect on productive development, such as the entrepreneurial and financial areas. These areas have not been restructured and are responsible for our unemployment figures."

"Therefore, we do not have to become more flexible, those groups must now do their homework and produce their share for a culture of work and growth," the secretary general of the CGT and the Construction Workers Union of the Argentine Republic (UOCRA) said.

Martinez and Camdessus made public their differences in a news conference held at the labor federation headquarters at the end of the meeting. Camdessus had a conciliatory tone during the news conference. He acknowledged that "not only labor must become more flexible; others, too, must contribute and do their best in this area." Camdessus applauded the CGT support for the country's "modernization and structural change."

Martinez said he told Camdessus that "many of the polices that made this economic model possible are the result of agreements with that international organization."

"We told him that those policies have generated high levels of unemployment and a shortage of job opportunities," Martinez emphasized.

The managing director of the international credit organization said that Argentina's level of indebtedness "will not condition the country's economic growth." Camdessus said that Argentina's indebtedness "cannot be a problem for sustainable growth and the development of the country's economic potential."

The IMF managing director said that Argentina "today has a much more manageable situation," and totally ruled out the possibility of any insurmountable problem in the next couple of months.

Camdessus reiterated that the IMF and other international credit organizations are "concerned" about the high unemployment rate in Argentina. Camdessus added: "The efforts already carried out to restructure the economy and create conditions for stable growth will provide the right environment for development and more job opportunities."

"I disagree with the CGT when it says that we must end labor flexibility, because in order to create the jobs we need, there is an urgent need to imprint more dynamism in the economy," Camdessus added.

The managing director emphasized that "the task today is to increase the flexibility of markets and go beyond that, so that those looking for a job can find one and so as to facilitate the incorporation of women into the labor market."

Argentina: Balza on Army Reorganization, Role of Defense

PY3005181696 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1614 GMT 29 May 96

[FBIS Translated Text] Buenos Aires, 29 May (NA) — Lieutenant General Martin Balza, Argentine Army chief of staff, stated on 29 May that the nation's defense "should not be tied to temporary circumstances, for what may give us some breathing space today may have to be lamented later on." He announced that the Army will "broaden" the studies for its reorganization, "giving preference to this task over others, and working around the clock."

Balza emphasized that "defense is one of the state's inalienable responsibilities; it is part of it essence, its very being," adding that "the Armed Forces, including the Army, play a key role in the system of defense, but they are by no means its only components."

He said: "Taking care of defense and working together to maintain a reliable defense system will give the nation the necessary assurance to forestall the scourge of war through convincing dissuasion capabilities."

Balza underscored that "war is not on our minds today, but it is present everywhere in this uncertain and divided world of ours."

Balza said: "The Army is starting to broaden the studies that will decide its future. The entire branch, all the ranks, will participate in these studies, giving preference to this task over others, and working around the clock."

Balza spoke at the Military College on the occasion of the 186th anniversary of the Army. Argentine President Carlos Menem presided over the ceremony.

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Defense Minister Oscar Camilion; Interior Minister Carlos Corach; Lieutenant General Mario Candido Diaz, the chief of the joint staff; Admiral Enrique Molina Pico, chief of staff of the Navy; Brigadier Juan Paulik, chief of staff of the Air Force; Alberto Pierri, president of the Chamber of Deputies; and other officials and military officers were also present.

The ceremony started out with a prayer and a moment of silence for those who died defending the fatherland, followed by a military parade at the school's parade ground.

Argentina: 2d State Reform Issued by Executive Branch

PY3005223096 Buenos Aires TELAM in Spanish 0125 GMT 25 May 96

[FBIS Translated Text] Buenos Aires, 24 May (TELAM) — The decree regulating the State Modernization Program issued by the executive branch today comprises five chapters, which outline the executive's main objectives to deepen the reforms initiated in 1989.

Chapter I, which is entitled Organization, is made up of seven articles:

1) A State Reform and Modernization Unit coming within the jurisdiction of the Office of the Chief of Cabinet and presided over by the chief of cabinet is hereby established.

2) The strategic control secretary at the Office of the Chief of Cabinet shall discharge the duties of executive secretary of the State Reform and Modernization Unit.

3) Said executive secretary shall be assisted by a Consultative Council comprising government officials from the following agencies, namely, Public Functions Secretariat of the Presidency, Secretary for Legal and Technical Affairs of the Presidency, Economy Ministry Finance Secretariat, National General Trusteeship.

Said Consultative Council shall also comprise representatives of ministries, secretariats of the Presidency, or agencies to be overhauled. Officials below an undersecretary, or equivalent, in rank shall not be eligible to sit on this council as representatives of the government.

Furthermore, the executive secretary of the State Reform and Modernization Unit shall invite the National Civil Servants' Union (UPCN) to nominate a representative to sit on the Consultative Council.

The Finance Secretariat shall name an official who shall act as permanent liaison officer between said secretariat and the Unit.

4) Ministers and secretaries of the Presidency of the Nation shall participate in and undertake the actions requested by the State Reform and Modernization Unit.

5) To fulfill his duties, the Unit's executive secretary shall be empowered/entitled to request the necessary personnel from any ministry, secretariat of the Presidency of the Nation, or any other state-run or autonomous organization of the Civil Service.

6) The Office of the Chief of Cabinet shall invite the Mixed Committee for State Reform and Follow-up to Privatizations to attend the meetings convened to discuss issues provided for in Chapter II of Article 14 of Law 24629, which enumerates regulations pertaining to the enhancement and streamlining of services provided by the different departments comprising the Civil Service.

7) A Retraining Fund for the Civil Service falling within the Labor and Social Security Ministry is hereby established pursuant to the provision of Article 9 of Law 24629.

Chapter II, entitled Functions, of the executive decree enumerates the duties entrusted to the Unit, namely:

1) To devise the course of action to be pursued in order to bring the first stage of the state reform program to a successful/speedy conclusion and to draft a stat modernization program.

2) To coordinate, pursue the follow-up to, and oversee the actions connected to the reform and modernization of the state to be initiated by all ministries, secretariats of the Presidency of the Nation, or any other state-run or autonomous organization of the Civil Service.

3) To coordinate, pursue the follow-up to, and oversee all programs geared to the strengthening of institutions, which are currently under way or which will be implemented in the future, regardless of their means of financing, with a view to align them with the state reform program.

4) To collect information deemed necessary in order to fulfill its functions. Centralized or decentralized departments of the Civil Service shall be compelled to submit to the Unit the required information.

5) To inform the executive branch every 30 days from the issuance of the present decree through the chief of cabinet about the progress of the reform program and the diversions seen in its implementation.

6) To collaborate with the provinces in their respective state reform and modernization processes, coordinating the actions undertaken by the agencies over which the executive branch has jurisdiction.

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Another article stipulates that the Provinces Coordination Unit shall be made up of one representative of the Interior Ministry; the Economy and Public Works Ministry; the Education and Culture Ministry; the Health and Social Action Ministry; and the Social Development Secretariat of the Presidency.

Chapter III of the executive branch decree released today, entitled Deadlines, states that the State Reform and Modernization Unit shall:

1) Draw up a draft scheme — within a period of 30 running days from the issuance of the present decree — which is to be implemented in the Centralized Civil Service up to the rank of under secretary, and in decentralized agencies.

2) To report about specific levels of reduction of restructuring of the payroll of each ministry, secretariat of the Presidency of the Nation, and state-run or autonomous departments of the Civil Service.

The downsizing shall be in keeping with the functions assigned to the state and the program guidelines enumerated in the regulatory chapters of the first stage of the state reform and with the basic organization to be approved in compliance with the present decree.

Chapter III moreover includes regulations for ministries and secretariats of the Presidency.

Chapter IV of the decree, entitled Per Diem and Purchases, provides that:

— The per diem system currently in force for the Civil Service shall apply, from the release of the present communique, to personnel hired for technical cooperation projects or programs having bilateral financing and/or multilateral financing and/or financing provided for by Decree 92/95.

— The Public Functions Secretariat of the Presidency of the Nation shall submit to the State Reform and Modernization Unit — within 10 running days from the release of the present decree — a draft of grade structures.

— Purchases of standard goods or goods having similar characteristics to be made by ministries, secretariats of the Presidency of the Nation, and centralized or autonomous departments of the Civil Service shall be governed by the procedures established by the Economy Ministry.

— Purchases and contracts exceeding the amounts established by the National General Trusteeship shall be subject to the control of the price-lists drew up by said agency.

— The Economy Ministry shall remit to the State Reform and Modernization Unit a bill to regulate the state's hiring system aimed at ensuring greater flexibility and transparency in hiring procedures.

Finally, Chapter V of the decree, which is entitled General Provisions stipulates that:

— Ministries, Secretariats of the Presidency of the Nation, and autonomous or centralized departments of the Civil Service shall consult with the State Reform and Modernization Unit prior to the implementation of programs that seek to strengthen institutions irrespective of their source of financing..

— The State Reform and Modernization Unit shall be empowered to adopt, within 10 days, the necessary measures to enforce the provisions of said programs in case of nonobservance.

— The Office of the Chief of Cabinet, in cooperation with the pertinent ministries, shall draw up a proposal to set up a fund made up with the assets and savings amassed following the implementation of the rationalization program.

— Financial resources of said fund shall be earmarked for the funding of specific institutional and operational strengthening subprograms approved by the State Reform and Modernization Unit after due consideration of the needs, commitments, contributions, and efforts of each administrative area and agency.

— The present decree shall be enforced within the autonomous and centralized departments of the Civil Service and any other agency or organization which the federal state or its autonomous organizations fully control or in which they have a stake whether through equity ownership or decisionmaking.

— The Office of the Chief of Cabinet is empowered to establish exceptions to the provisions herein established whenever said exemptions are duly justified, but shall publish a full account of this act in the BOLETIN OFICIAL.

— An Internal Auditing Unit shall receive all the information sent by the State Reform and Modernization Unit.

— Every bill which directly or indirectly entails the modification of structures, hierarchical or operational administrative areas, or administrative rationalization shall adhere to the provisions of Law 24629.

— The Office of the Chief of Cabinet shall enforce the present decree and shall be empowered to issue the explanatory or complementary regulations deemed necessary for said purpose.

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Pursuant to the second reform of the state ordered by the executive decree, ministries, secretariats of the Presidency of the Nation, and autonomous and centralized departments of the Civil Service are mandated to submit proposals [for their rationalization] to the State Reform and Modernization Unit herein established.

The articles dealing with the implementation of the reform in the different government agencies provide that:

— Within a period of 15 days, the Ministry of Labor and Social Security and the Ministry of Economy and Public Works shall remit to the Unit a scheme for the establishment of the Retraining Fund for the Civil Service and its financing to the State Reform and Modernization Unit.

— Within a period of 30 days, the Ministry of Foreign Relations, International Trade, and Worship shall remit to the Unit a report about the distribution per categories and the number of employees of all Argentine embassies, consulates, and offices of attaches.

— Within a period of 30 day, the Ministries of Defense and of Interior shall submit to the Unit projects contemplating the modernization of Armed and security Forces' systems regulating personnel management, accounting, budget, health insurance for personnel on active service and retired, professional training, logistic functions, and education services.

In addition, both ministries shall submit plans to overhaul the Military and Security Forces Personnel Pension Scheme with a view to achieving self-financing through a capitalization system.

— The Ministry of the Interior shall remit a scheme for modernizing its systems of personnel documentation and identification.

— The Ministry of Justice shall remit a scheme to overhaul federal penitentiaries, another one to reorganize its personnel, and a third overarching scheme for outsourcing.

Furthermore, the Ministry of Justice will submit to the Unit projects which have to do with civil servants' responsibilities, incompatibilities for high-ranking positions, and alternative settlement of conflicts in the public sector.

— The Ministry of Health and Social Action shall submit a timetable to implement necessary actions to continue with and conclude the decentralization and rationalization program.

— The Ministry of Economy and Public Works shall remit ideas about deregulation and its impact on the organization of the state.

— The Culture Secretariat of the Presidency of the Nation shall remit a timetable to implement necessary actions to continue with and conclude the decentralization and rationalization of activities over which said secretariat has jurisdiction.

— The Science and Technology Secretariat shall submit a scheme for its overhaul with a view to optimizing financial resources allotted to research and a report about coordination mechanisms with the different areas in the area of basic and applied research.

— The General Directorate of Taxation, the National Customs Administration, the National Social Security Administration, and the National Institute for Medical Aid and Social Services for Pensioners shall remit a report about the progress of the schemes and/or activities currently under way or to be undertaken to enhance and streamline the systems managed by those agencies.

— The State Reform and Modernization Unit, in cooperation with the Ministry of Labor, the Public Functions Secretariat of the Presidency, and the Economy Ministry Finance Secretariat, shall establish a task force to review the basic legal system regulating public functions, statutes, and special grades as well as regulations which are detrimental to labor productivity in the Civil Service.

The executive secretary of said Unit shall invite a representative of the National Civil Servants' Union to join this task force. The task force shall submit its proposal within 90 days.

Argentina: Cabinet Chief Discusses Reform, Dismissals

PY3005163096 Buenos Aires TELAM in Spanish 2313 GMT 29 May 96

[FBIS Translated Excerpt] Buenos Aires, 29 May (TELAM) — Chief of Cabinet Jorge Rodriguez told the Senate today that the second state reform will not provoke any dismissals. He said that the reform will, instead, put an end to all unnecessary spending.

The reform will adjust the budget of each organization "as much as possible."

The chief of cabinet presented his monthly report to the Senate plenum. In this case, it is his first since he assumed the position.

"The spirit of this second reform has nothing to do with the announcements made by some groups that speak about the loss of thousands of jobs. The reform will put an end to all unnecessary spending and will adjust the

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budgets of each state organization as much as possible," Rodriguez said.

The chief of cabinet said that the second state reform created the Labor Reconversion Fund, recalling that the fund, following an express legislative mandate, "will have the purpose of retraining workers in the public administration whose jobs are eliminated."

Rodriguez explained that the government designed an action plan that includes, among other measures, a new schedule for the central administration and autonomous organizations in order to eliminate "overlapping and duplication in positions and unnecessary functions."

Rodriguez also said that the number of personnel will be adjusted in accordance with the new schedules. Rodriguez added that the government will propose "the revision of public administration regulatory labor regimes." [passage omitted]

Bolivia

Bolivia: Foreign Minister on Trafficking, Ties With U.S.

PY3105192896 La Paz PRESENCIA in Spanish 27 May 96 Section 1 p 7

[FBIS Translated Text] Jatha — Foreign Minister Antonio Aranibar has conceded that it is quite difficult to steer diplomatic relations between Bolivia and the United States away from the pervasive and ever-present subject of drug trafficking despite the efforts made so that interdiction should not override all other considerations in what pertains to cooperation between both countries.

Aranibar said: "For all the efforts made by this and the previous administrations, the 'predominance of the narcotics issue' in our bilateral relations defies solution because this is a subject the United States has prioritized, with reason, on account of the havoc drug use is creating in that country."

In an interview with Radio Panamericana, Aranibar avowed that 1995 "was a very harsh and traumatic year in what pertains to this subject."

"This notwithstanding, we have been able to make headway because despite that difficult juncture, Bolivia was able to make some strides, which I believe we will never lament," he hastened to add. In the view of the foreign minister, Bolivia needs to be aware of the fact that it must come to grips with some situations, such as facing up to the fact that Bolivia's contention that coca is not cocaine is part true, part false.

Aranibar underscored that if one looks at this issue from a comprehensive point of view, it is clear that surplus coca crops end up by being used to process cocaine.

According to the foreign minister, "there is no doubt whatsoever that we all defend the traditional use of coca." Still, he claimed, it is impossible to speak in defense of the coca used to produce cocaine.

Aranibar further stated: "I think that in what pertains to the subject of coca we have managed to strike a balance between the extremes of fierce criticism and uncompromising defense." He went on to say that now there is broad consensus of opinion in the country about the fact that "the coca that forms part of the millennium-old cultural traditions of the Bolivian people, and with which we should not tamper, is one thing, and the coca which goes into drug trafficking causing great damage, is quite another thing, something which we cannot defend."

The foreign minister recalled that only 12,000 hectares in the entire country should be devoted to growing coca for traditional consumption, and there is no room for surplus coca crops. Aranibar was also concerned that coca farms in the Yungas region may have surpassed this ceiling.

Commenting on the eradication of surplus coca crops agreed upon for this year, the foreign minister reiterated that pursuant to Law 1008, the government foresees the eradication of 6,000 hectares of surplus coca crops in 1996.

Bolivia: IMF Official Pleased With Capitalization, Reform

PY3105151896 La Paz Radio Cadena Nacional Network in Spanish 1100 GMT 31 May 96

[FBIS Translated Text] Capitalization Minister Alfonso Revollo reported that IMF Managing Director Michel Camdessus warmly congratulated the Bolivian Government for the capitalization process and the reform of the social security system.

Revollo said that Camdessus was pleased with the status of the two processes and indicated that other countries who wish to follow Bolivia's example as far as capitalization is concerned have been in touch with the IMF, offering their cooperation.

Government officials and representatives of the ruling coalition met with Camdessus on 29 May to evaluate the country's economic and political situation. Camdessus was briefed on the reforms under way in Bolivia.

Revollo said that Camdessus listened to his briefing on the capitalization process with a great deal of attention.

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The IMF managing director said that the social security reform is vital for the country.

Bolivia: President Not To Seek Reelection, Considers 2002

PY3105151596 La Paz Radio Cadena Nacional Network in Spanish 1100 GMT 31 May 96

[Report by Jorge Jimenez]

[FBIS Translated Text] President Gonzalo Sanchez de Lozada liked it so much that he has announced he will come back for more in 2002. Thus, he refuted the rumors about maneuvers to extend his current term in office and to allow him to run for reelection. Sanchez de Lozada reiterated that he will leave Government House on 6 August and will start getting ready for the elections in the year 2002.

[Begin Sanchez de Lozada recording] I hope somebody will translate what I say so that everybody will understand it. As I understand it, the Constitution precludes me from running for reelection, or extending my term in office. I am sure that one of the most satisfying aspects of any president's job is to preside over straightforward, honest, and clean elections, and to turn over power to another constitutionally elected president. That is what I want to do. I certainly do not want to stay on any longer than I am supposed to.

I know that it is difficult to bow out of the party early, before it is over, but I think it shows that one knows what is right. Therefore, I want to put an end to all this speculation. There is no point in wasting any more time on it. I still have a lot of time — approximately 14 months — before I step down. I do not know what is the point of all this speculation but, in any case, I want to put everyone at ease: I will not run for reelection. If I run for president again, I will do so after five years, which will put us in the year 2002, approximately. [end recording]

The thing is that a political campaign, like the one staged to get Sanchez de Lozada elected president, requires a lot of money. Senator Walter Zuleta [Nationalist Revolutionary Movement] revealed some time ago that Sanchez de Lozada had to put up close to $4 million for his own campaign.

Bolivia: President's Popularity Reaches 'Lowest Level'

PY3105165196 La Paz PRESENCIA in Spanish 24 May 96 pp 1, 7

[Unattributed article: "The President's Popularity Plunges to Lowest Level —2.6"]

[FBIS Summary] Opinion polls have been conducted by Encuestas & Equipos in Bolivia and by the CIMA consortium, to which Encuestas & Equipos belongs, in 15 Latin American countries. Encuestas & Equipos said that its nationwide poll of 979 persons between 28 April and 10 May showed that President Gonzalo Sanchez de Lozada's popularity has been steadily deteriorating since August 1994 and has sunk to its lowest level since he took office. The survey, which measured the president's popularity on a scale ranging from one to seven, found that nearly three-quarters of the survey sample — 73 percent — disapproved of the Sanchez de Lozada administration, while the remaining one-fourth — 23 percent — approved of it. The poll gave the Sanchez de Lozada administration a rating of 2.6 as compared with the 4.4 in August 1994, when the head of state's popularity was at its height. Encuestas & Equipos found that the president fared better among the upper class, whose rating of the President was 3, whereas he had a very low credibility and popularity rating among the lower classes; namely, 2.5.

The CIMA consortium survey conducted on behalf of Encuestas & Equipos found that Sanchez de Lozada is the president who obtained the lowest mark of the 15 Latin American presidents surveyed. According to those polled, the most popular Latin American president is Pedro Rosello of Puerto Rico, who obtained a 4.9 rating; followed by Eduardo Frei of Chile, with 4.8; and Alberto Fujimori of Peru, with 4.5. Brazilian President Fernando Henrique Cardoso was given a 3.5 mark, while Argentine President Carlos Menem was given a 3.1. The presidents who were most poorly evaluated after Sanchez de Lozada were Ecuadoran President Sixto Duran Ballen, who obtained a 2.7 rating, and Uruguayan President Julio Maria Sanguinetti, who obtained a rating of 2.9.

Bolivia: 'Clandestine' Military Group Issues Manifesto

PY3105182696 Cochabamba LOS TIEMPOS in Spanish 25 May 96 p A8

[FBIS Translated Text] La Paz, 24 May — A self-defined "Armed Forces Clandestine Coordinating Board," of which no one had any previous knowledge, today issued a critical public manifesto questioning the capitalization process promoted by President Gonzalo

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Sanchez de Lozada and the administrative performance of Armed Forces Commander General Reynaldo Caceres Quiroga.

The document, which was made known today through Channel 4 of the RPT [Private Television Network] System, reflects the alleged position of well-known Armed Forces retired chiefs and generals who question Gen. Caceres' supposed "repression and abuse."

The central portion of the "Clandestine Coordinating Board" manifesto points out the following:

"Army generals and higher ranking officers currently assigned to the active reserves are indignant at Army General Reynaldo Caceres Quiroga, current Armed Forces commander in chief, for his outrageous and abusive treatment of Colonel DAEM [National War College Graduate] Adolfo Touchard Lopez and Colonel Anibal Michel Rodriguez, which exceeds his authority and is based on the powers of his current position. He should no longer occupy the position because the other members of his graduating class have already retired. Gen. Caceres remains in his position as a direct accomplice of the current president of the Republic, the current capitalization minister, and the current minister of government, and is guilty, together with them, of the crime of high treason against the fatherland because of the capitalization and delivery of ENFE [National Railway Enterprise] to the only real and potential enemy we have.

"Similarly, Gen. Caceres supports the current plan to capitalize YPFB [Bolivian Government Oil Deposits] without valuing the thousands of orphans, widows, and lives that resulted from and were offered on the sandy fields of the Chaco. Chaco veterans fought for what we today give away without firing a single bullet, which surprises because it is the first time that our strategic resources are handed down and their sale is supported by an Armed Forces commander in chief who lacks civil and military courage and looks only after his personal interests and present position."

Bolivia: News Summary for 29 May

96CA0189A (Internet) Bolivian Social Communications Ministry WWW in Spanish 29 May 96 Morning Edition

[From the Computer Services Network of the Bolivian Social Communications Ministry http://utama.bolnet.bo:80/mcs/matind.htm]

[FBIS Translated Excerpt] [passage omitted]

Front Page News Briefs [passage omitted]

Justice Being Politicized, MBL Deputy Charges

"Some prosecutors do not represent society, but instead the Ministry of Government," MBL [Free Bolivia Movement] Deputy Juan del Granado charged yesterday. "The MNR [Nationalist Revolutionary Movement], ADN [Nationalist Democratic Action], and MIR [Movement of the Revolutionary Left] repeatedly divide up judicial positions as if they were cutting up a birthday cake," he stated. Minister of Justice Rene Blattmann said that corruption has become an endemic illness in Bolivia, while analyst and spokesperson for the National Electoral Court, Jorge Lazarte, expressed fears that such corruption may end up by "corroding" democracy. [passage omitted]

Political News [passage omitted]

Bolivia Implicated in Argentine Arms Sale Scandal

A "secret" decree authorizing the sale of arms by Argentina to Cofadena [(Bolivian) Armed Forces National Development Corporation] for a total of US $51 million has involved Bolivia in the scandal which is causing an upheaval in our neighboring country because of the sale of arms to Ecuador and Croatia.

Information from an international news agency has reported that among the decrees which the Argentine government has made public on its arms sales to other countries was one which authorized the sale of a group of weapons to Bolivia for a total of US $51 million.

Bolivian Arms Purchases from Argentina Denied

In 1992 the Bolivian government issued no purchase orders for Argentine arms in the amount of $51 million, stated former President Jaime Paz.

"As I recall, we never issued such a purchase order; I have heard an amount something like $51 million mentioned. That is crazy," the former chief executive said in rebuttal.

Argentine Foreign Minister Guido Di Tella has stated that "nothing was sold to Bolivia," speaking of an arms sale operation which was cancelled by the government. [passage omitted]

Social News [passage omitted]

Campesinos Oppose Police Troop Presence in Yungas

While some coca-growers leaders have criticized the entry into the yungas of "about 200 'leopardos' in 40 Army 'Caiman' trucks," the Ministry of Government has

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emphatically denied the reported use of these troops in the area.

Lino Villca, executive secretary of La Asunta Federation, and Abdon Mamani, president of Adepcoca [Association of Coca Producers], have reported that at least two companies of UMOPAR [Mobile Rural Patrol Unit] troops are located in the area. Villca said that the police presence is due to "compulsory eradication" plans for the coca crop in the region, while Mamani has said that the troops are in the area "for training." [passage omitted]

Brazil

Brazil: Mercosur Negotiating Textile Import Terms

PY3105234096 Sao Paulo GAZETA MERCANTIL in Portuguese 29 May 96 p A6

[Article by Maria Helena Tachinardi]

[FBIS Translated Text] The Brazilian Government has informed Uruguay that this week the Foreign Trade Chamber, which is subject to the Civilian Household, will review the financing term for textile imports from the Mercosur [Common Market of the South] countries. Three weeks ago the Foreign Trade Chamber reduced the import financing term from 180 to 30 days. The issue, which is considered the true test of the Mercosur after the car import quotas crisis last year, was discussed on 24 May in Buenos Aires.

The solution to the problem that affects Uruguay, Argentina, and Paraguay, seems not as close to come as the Brazilian officials had promised. This is because the Foreign Trade Chamber, which will meet on 20 June and which is not scheduled to hold any special meeting before then, will announce a government decision on the subject.

The textile problem was discussed last week in Brasilia during the visit of Argentine Foreign Minister Guido Di Tella. On 24 May the problem was again examined during a bilateral meeting with Uruguay which was attended by officials from the two ministries of foreign affairs, industry, commerce, and tourism, and of finance, and from the Uruguayan Embassy.

The administration of President Julio Maria Sanguinetti also demanded that Brazil eliminate the additional Merchant Marine freight fare which charges 25 percent on rice exports from Uruguay to northeastern Brazil. "With that fare charged on the freight, we were left out of the long distance markets like northeastern Brazil," said a source in Montevideo.

A Brazilian diplomat who participated in the meeting in Buenos Aires reported to this newspaper that this subject will be solved with an annex to the Protocol of Trade Expansion [Protocolo de Expansao Comercial — PEC] that will be registered in the (Latin American Integration Association — ALADI). Uruguayan Government officials presented the complaint of an exporter, then confirmed by a Brazilian importer, that the reduction of the financing term from 180 to 30 days which is also applied to the Mercosur textiles, is also valid for Uruguayan mozzarella cheese sold to Brazil.

The Foreign Ministry, which advocates revoking the measure that affects the textiles, says it is "moderately optimistic." According to a Brazilian diplomatic source, "there is a will to seek a satisfactory solution." Despite Uruguay's hope that Brazil will revoke the measure on the financing term for textile imports, this week, the foreign and finance ministers, and Ambassador Jose Botafogo Goncalves, who is directly responsible for the negotiations to exclude Mercosur from the punitive measure, are not in Brazil but are accompanying President Fernando Henrique Cardoso on his visit to France.

During the Buenos Aires meeting a Brazilian diplomat defended the position of the Mercosur partners by saying that he favors suspending the measure that affects Mercosur. He said that textile imports from Asian countries register an "exponential" growth," while those from Mercosur have an "arithmetic" growth, a Uruguayan source reported.

Brazil: Businessmen View European Trade Barriers

PY3105030596 Sao Paulo AGENCIA ESTADO in Portuguese 2129 GMT 29 May 96

[Report by Ribamar Oliveira]

[FBIS Translated Text] Paris, 29 May (AE) — During a meeting that took place in Marigny Palace today, Brazilian businessmen today complained to President Fernando Henrique Cardoso that the EC is not granting Brazil corresponding advantages for the economic opening Brazil has undertaken in the past few years. They complained of customs barriers imposed by the EC member countries, including France, to Brazilian products, especially coffee, sugar, and beef.

Businessman Luiz Fernando Furlan, from the Sadia group, said that during the 1993-1995 period, EC sales to Brazil increased by 130 percent, while Brazilian sales to the EC increased only 26 percent. "There is no corresponding advantage, and nowadays our trade balance favors Europe," he said.

According to Furlan, who participated in technical meetings between the Brazilian and French Governments during President Fernando Henrique Cardoso's visit to France, customs barriers imposed on Brazilian so-called agrobusiness products are so exaggerated that they do

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not have an economic explanation. "The EC tariff for chicken breasts reaches 80 percent," he said.

Brazilian Foreign Minister Luiz Felipe Lampreia agreed with Furlan and said that the situation is just as he explained it. "Commodity exports are the ones that run into most obstacles," Lampreia said. He added that the Brazilian Government will continue pressuring the EC member countries to change their policy. "Their trade tariff policy will have to be reviewed because it is unbearable," he said. The minister reported that he will travel to Brussels to discuss this subject with the members of the WTO.

Dumping — Mario Amato, former president of the Sao Paulo State Federation of Industries (FIESP), complained of the dumping practices that harm Brazilian products. In reply, President Cardoso asked the businessmen to file dumping charges so that the Brazilian Government can take action. Minister Lampreia stressed President Cardoso's statements by saying that the Brazilian trade opening "will not be maintained at the expense of the destruction of the national industry by the dumping practices of other countries."

Dagoberto Lima Godoy, president of the Rio Grande do Sul Industrial Federation, wanted to know why the Brazilian Government does not adopt a "drawback" mechanism similar to the one created by the Argentine Government to compensate exporters. This mechanism consists of reimbursing part of the export tax. According to Lima Godoy, this could be a way to help exporters without having to reform the Constitution. Finance Minister Pedro Malan said that the "drawback" is being discussed by the Brazilian administration, which has yet not reached a conclusion on the issue. "I hope that in the not-very-distant future, I will be able to say something more concrete about it," said Malan.

Brazil: World Bank To Finance Administrative Reform

PY3105182496 Sao Paulo AGENCIA ESTADO in Portuguese 2228 GMT 29 May 96

[Article by Mara Bergamaschi]

[FBIS Translated Text] Brasilia, 29 May (AE) — The World Bank will finance the administrative reform in the states of Minas Gerais, Rio de Janeiro, and Rio Grande do Sul. These three states have already presented their projects to the institution and will soon receive loans ranging from 150 million reals [R] to R200 million in order to reduce their public employee cadre ranks, improve bureaucratic effectiveness, and privatize state-owned companies.

With this help from abroad, which will have to be paid for in 15 years, with an interest rate of 7 to 8 percent per year, Rio Grande do Sul Governor Antonio Britto (Brazilian Democratic Movement Party) will be able to finance severance payments to which those who join his state's voluntary dismissal program are entitled. "We consider this sort of project a priority because it combats the roots of the public deficit," Dennis Mahas, World Bank representative to Brazil, explained.

According to Mahas, these loans can also be granted to other states. Mato Grosso, for example, sent a mission to Washington this week to negotiate its administrative reform project. The World Bank's activities in Brazil are concentrated on programs seeking to combat poverty and stimulate economic growth. The bank believes that the public machinery reform also suits the aforementioned objectives.

The World Bank estimates that the state administrations' overall debt with the federal administration totals $100 billion. In a recent report, the bank recommends that governors sell assets to reduce debts and improve their administrative performance. The bank also suggests that the state administrations can better control their expenditures by downsizing the administrative machinery, drafting their budgets well, and increasing their tax revenues.

Although apparently paradoxical, the three states' decision to contract more debts, in an attempt to reduce expenditures, will yield positive results if the reforms ensure definitive savings that may compensate for the cost of the foreign loans. Thus far, Brazil — which is the World Bank's fourth largest client — has been doing a bad job in administering the bank's loans to the country. In 1995, the World Bank invested $1 billion in the country and received debt payments totaling $1.8 billion.

The $800-million negative flow is the result of loans obtained in the 1960's, 1970's, and 1980's. These were mainly earmarked for projects in the areas of energy and steel mills. In the 1990's, the country's development strategy, as well as the World Bank's goals, focused on another socio-economic model. The country's investment portfolio, which was opened in 1949, is comprised nowadays of 67 loans that have already totaled a disbursement of $7.4 billion.

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Brazil: 'Tight Control' of Expenditures To Continue

PY3105231096 Rio de Janeiro O GLOBO in Portuguese 29 May 96 p 24

[Commentary from the "Economic Panorama" column by Silvia Faria: "Tight Control To Continue"]

[FBIS Translated Text] Acting Finance Minister Pedro Parente is not worried about the pressure being exerted on President Fernando Henrique Cardoso to ease the economic policy. Although he believes the complaints are legitimate, he says there is no risk of modifying the essence of the stabilization plan. On 24 May, President Cardoso approved cutbacks totaling 11 million reals [R] in the 1996 expenditures, thus maintaining the austerity that several people want to end.

Each ministry will receive a three-month program from the Treasury. Parente said that greater predictability will enable a better control on the spending of resources.

The entire program has been organized to allow the economy to reach the end of the year with a primary surplus of 1.3 to 1.4 percent of the GDP and an operational deficit of 2.5 percent (half of what was registered last year). The acting minister warns that, to fulfill these objectives, the administration can spend nothing unless there is a correspondent revenue. This measure is already affecting the Health Ministry: Congress has not approved the Temporary Tax on Financial Operations, CPMF, and so the Health Ministry has lost R6 billion, which would have come from the CPMF.

Parente said that if there is no revenue, the resources cannot be spent. We can only make payments when the revenue is available.

He said the president of the Republic has not instructed the economic team to reduce austerity. Parente admitted that political pressure is coming from several areas — ministers, workers, entrepreneurs, congressmen, and intellectuals — for permission for more expenditures. He added, however, that the Finance Ministry will continue to say no to increasing expenditures.

Parente said his role is to establish the limit of what is economically possible.

In many areas, like education, the federal administration will conduct a deeper reorganization of expenditures and establish priorities that are more compatible with the administration's social concerns. Resources currently allocated to expensive and privileged public senior high-schools, for example, will now be shared with junior high schools, which cost less and are essential. Parente said that, thus, the use of public resources becomes more effective.

All economists, from all currents, are convinced that economic stabilization will not be consolidated without drastic streamlining of public expenditures.

Brazil: Rio Doce Privatization Plan Viewed

PY3005185596 Sao Paulo GAZETA MERCANTIL in Portuguese 22 May 96 pp A1, B4

[Article by Cesar Felicio in Brasilia]

[FBIS Translated Text] On 21 May, Luis Carlos Mendonca de Barros, president of the National Bank for Economic and Social Development (BNDES), made an announcement that most senators were waiting to hear about the privatization of the Rio Doce Valley Company [CVRD]. During a four-hour session of the Infrastructure Committee, Mendonca de Barros said the federal administration is seeking to meet all the claims sought by congressmen.

He asserted that, once privatized, the CVRD will remain the same size as now. He said: "The idea of selling it in parts has been entirely discarded." CVRD President Francisco Schettino attended the meeting. He has always defended this position and was very pleased to hear Mendonca de Barros' words. The senators in whose states the CVRD operates were also happy because they feared the enterprise might dwindle under a private administration.

Mendonca de Barros said there will be a preclassification for potential purchasers: Large international companies that mine or use iron ore will be excluded because that could cause international manipulation of the product. Financial institutions have also been excluded from the bid. The BNDES president said: "These institutions, which are not involved in mineral exploitation, could sell their shares later. This would not be very convenient."

Pension funds will have a limited participation in the bid for the same reasons. Large international mining enterprises which do not have iron ore exploitation as their main activity are the prefered buyers.

Mendonca de Barros confirmed that the federal administration is almost certain to privatize the CVRD through the sale of small numbers of shares, as well as closed share packages. During the first stage at least 51 percent of the preferential shares currently in the hands of the federal administration will be sold. In this way control of the enterprise will already be transferred. During the first stage, no one buyer may acquire more than 20 percent.

The remaining 49 percent will be sold in very small parcels, so no investor would be able to purchase more

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than 5 percent of them. The BNDES president believes 2.9 billion reals will be obtained in the first stage. The senators were particularly pleased to hear Mendonca de Barros explain how the resources obtained should be used. He said: "I believe most of the resources should be earmarked for investments, in addition to the objectives already included in the administration's Multi-Year Plan. Part of the resources should be invested in transportation, to allow isolated production centers — like those in southern Maranhao and Piaui States, as well as in the Amazon and Center-West regions — better access." He pointed out that the revenue should also be used "to reduce the short-term domestic debt."

This is exactly what the government bloc in the Senate will propose to the federal administration in exchange for rejecting the draft bill presented by Senator Jose Eduardo Dutra (Workers Party-Sergipe), which demands congressional authorization for the sale of the CVRD. The Infrastructure Committee will vote on the bill on 29 May. Infrastructure Committee President Jose Agripino Maia (PFL-RN) [Liberal Front Party-Rio Grande do Norte] stated after Mendonca de Barros' report: "The Senate must discuss how resources obtained from the sale will be used." Government leader in the Senate Elcio Alvares (PFL-Espirito Santo) confirmed: "We must act on this."

Regarding the political plan for privatizing the CVRD, the BNDES president confirmed that President Cardoso wants the Senate informed of all stages of the privatization process. Mendonca de Barros said: "I am at your disposal. I will return in July, when the privatization model is ready."

In addition to this willingness to negotiate with the Senate, Mendonca de Barros commented on other mechanisms the administration plans to introduce to continue having influence on the CVRD even after its privatization. He mentioned the following points that must be contemplated in the golden share [two preceding words in English] that the federal administration will retain: The right to veto any decision to liquidate the enterprise, to veto the decision to move its headquarters, to veto modifications to its statutes, and — especially — changes in the share control.

Mendonca de Barros added that the federal administration will continue to own the mining rights of the CVRD even after it is privatized: These include the mining permits the enterprise owns but has not used. He said: "We can charge royalties [preceding word in English] on these exploitations, with a promise that the new owners will immediately invest in the area. We can also make mandatory the issuance of debentures that can be redeemed by paying proportional earnings to current shareholders."

On this point, the Senate plans to propose canceling the mining rights for the new owners, and creating a new state-owned company to administer these rights. Mendonca de Barros refuted this idea because it would be unfair to current shareholders.

Finally, the BNDES president proposed a formula to meet the interests of counties where the CVRD operates. Currently, in compliance with the company's statutes, these counties receive 8 percent of the net CVRD profits. He said: "After the privatization, the company would make a final contribution of $250 million to $300 million, which would be managed by BNDES and used to benefit these counties." Nowadays, the CVRD transfers to the counties an average $30 million per year.

Brazil: 'Demoralization' Seen in Social Security Reform

PY3005200896 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 18 May 96 p A3

[Editorial from the "Notes and Information" page: "Democracy Dilemma"]

[FBIS Translated Text] Those who enjoy anecdotes will remember that Henry of Navarre, a Protestant, allegedly said the following famous sentence in order to be crowned as a Catholic king of France: "Paris is worth a Mass." Let us believe that he indeed said these words. Thus, we will be able to ask: Is the approval of the social security reform worth the demoralization (although in homeopathic doses) of the Presidency of the Republic? This is the question President Fernando Henrique Cardoso should have asked himself when he reissued the provisional measure, which sought to solve the Bank of Brazil problems, and eliminated from it the articles the ruralist bloc (enlarged later on by what became known as the "entrepreneurs' bloc") had vetoed. The least we can say is that the political solution is an excellent example of hypocrisy: None of the articles the ruralists and "entrepreneurs" dislike will be included in the provisional measure. In exchange, the executive branch will find a legislative procedure to restore the previous situation, in order to save face. The communique released by the Presidency of the Republic last night, however, does not allow the executive branch to save face.

The problem is not to know whether the ruralists have acted correctly or incorrectly, or whether the president of the Republic had other options. The problem is that, by giving in, the image of the head of state became stained and he become vulnerable. Things he said at the

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opening of the seminar on government reforms — he solemnly asserted (when talking about problems related to public employees) that no claims clashing with the social process would be met — can now be compared to his decision of reissuing the provisional measure after eliminating the articles that disgusted ruralists and "entrepreneurs." It must also be pointed out that throughout the process, not only the Presidency's image was stained, but also the image of Congress. To a large number of Brazilians, Congress has become the center of lobbies [preceding word in English] and corporate groups who defend their own interests instead of those of the country.

The president of the Republic will always have political reasons, which he will consider more important, to justify his position. The corporate groups have become so distant from what we call public opinion and have concentrated so much on the immediate interests of those whom they represent and their voters that they do not care whether the image of the national Congress as a whole is being stained or not.

When the cabinet reshuffle was hastily announced, we wrote that the president of the Republic might be irreversibly stepping into a quagmire, because he was becoming committed to party quarrels under the excuse of obtaining the famous three-fifths required for voting on the constitutional reforms. By meeting the claims of the ruralist bloc, he complied with the same principle: Everything must be done to ensure approval of the social security and administrative reforms. Could it be that the executive branch is not only obliging with the famous three-fifths requirement, which, instead of a constitutional demand, has become an excuse for everything the executive branch does?

In the case of the agrarian reform, which the president of the Republic promised to implement after the Eldorado dos Carajas massacre, the executive branch acted as if it were directly responsible for everything that had occurred. The ruralist bloc is also exerting pressure in this regard: The draft bill authorizing summary proceedings for agrarian reform purposes cannot be approved without their support. The president of the Republic has committed his personal and political prestige in this project. Will he, as a result, agree to negotiate, i.e., to give in? The executive branch has also committed itself, although not officially, to the possibility of allowing common courts to try the military policemen involved. The Military Police lobby [preceding word in English] found reasons to file Deputy Helio Bicudo's bill away in the Senate, and this was done with the executive branch leaders' support. What will be done in the Chamber of Deputies? In these two cases, as rules must be altered, the president cannot do anything through provisional measures, as he himself has said. He is, therefore, forced to negotiate with the corporate groups.

Negotiations are part of the democratic political game. It is supposed — and the liberal democrats have always acted based on this supposition — that negotiations are, naturally, conducted around interests, but these interests should also include the wishes of the people. Nevertheless, the situations we are now witnessing indicate that negotiations are becoming mandatory with regard to the interests of certain groups and, in particular, their material interests — which are sometimes not strictly those of corporate groups, but practically always refer to the honor of the corporate groups — as in the case of the Military Police. If this is the case, as we mentioned on 17 May, we are witnessing a profound change in the substance of the political process. As a result of this change, the Presidency of the Republic will necessarily lose its majestic characteristics (without which no government branch can remain what the Western World conceived it to be centuries ago) and become part of a corporate game — in a society that is ruled by the principles of market economy and contracts, as well as by the ideology of public interest, which is unquestionably collective. Unless we take this dramatic problem into consideration, it will be impossible, from now on, to do anything positive in the country, because the executive branch will need, for example, a law and then will have to negotiate its approval.

Chile

Chile: Further on Rejection of U.S. Helms-Burton Law

PY3105144296 Santiago Television Nacional de Chile Imagen Internacional in Spanish 1000 GMT 31 May 96

[FBIS Translated Text] The U.S. law that forbids investments in Cuba has been rejected in many countries, including Chile, where the government and businessmen who have investments in Cuba also rejected that law.

To prevent investments in Cuba, in addition to confiscating properties and money that belong to people who invest in that island, the United States will even repeal the visas of spouses and children.

All this is done in retaliation for the downing of two anti-Castroist planes at the beginning of the year. The measure was not well received in the concert of nations. In Chile, the government has also rejected the Helms-Burton Law.

[Begin Foreign Minister Jose Miguel Insulza recording] I am afraid it is not in keeping with international

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foreign trade and international investments rules. It is not appropriate for a country to issue laws intended to rule investments and properties in other countries. [end recording]

The most affected companies are those of Mexico, Canada, and Italy, but there are also many Chileans with interests in that island who feel affected by the U.S. law. One of them is Max Marambio, who has more than $20 million invested in Cuba, especially in the area of foodstuffs.

[Begin Marambio recording] It is a law that is the antithesis of its intent. It is an arbitrary and illegal action; therefore, it is not much of a law. And so, regardless of the costs, we are going to try to overlook it, at least psychologically. We are going to ignore the threats. [end recording]

According to Marambio, these Chileans are considering the idea of opening two new factories in Cuba. They claim that investing in that country is so difficult that it is not worth losing what has been achieved because of a law they consider unjust.

Colombia

Colombia: Minister Says U.S. Has No Right To Interfere

PA3105172396 Medellin EL COLOMBIANO in Spanish 31 May 96

[Report by Wilmar A. Vera — received via Internet]

[FBIS Translated Text] Armenia — Colombian Foreign Trade Minister Morris Harf has said the United States has no right to interfere in our country's internal affairs, but he has said "it is our main commercial partner" and announced bilateral trade will surpass $10 billion this year.

Harf spoke to journalists during the First National Congress of Travel Agencies convened by the Colombian Association of Travel and Tourism Agencies (Anato).

Asked about possible sanctions against our country should Case 8000 end with the acquittal of President Samper, Harf has said "there will be no sanctions."

"The political situation is one thing, and commercial and economic relations are another. The binational commission of commerce and economy, which had not met since 1993, met last week, and the results and conclusions were very positive for Colombia," Harf has said.

Asked whether the national crisis has affected the tourist sector, a point which is obvious with the few tourists arriving in our country, Harf replied: "That problem is due to the winter season."

Meanwhile, Anato has announced a considerable growth in its 1995 income, which totaled 700.4 million pesos. It also has noted a positive growth in its net income produced by services, special programs, and financial agreements.

Anato, which groups approximately 200 travel agency representatives from all over the country, has announced that one of its most serious problems is the handling of its overdue accounts.

Are there any solutions to this problem? Yes, there are. One of them would be going ahead and placing those accounts in the hands of financial institutions in order to collect payments through credit cards, as the interest would make clients pay their debts on time. Another solution would be to prepare bills for those travel packages sold on credit in order to complement that first solution and to charge additional interest for accounts in arrears.

Colombia: Editorial Supports Reply to U.S. Communique

PA3105143696 Santa Fe de Bogota EL ESPECTADOR in Spanish 27 May 96 p 2A

[Editorial: "Arrogance According to Uncle Sam"]

[FBIS Translated Text] Whenever Colombian authorities must make decisions that concern them only, and every time the opportunity arises, we will have to defend the sovereign nature of our nation and our political maturity. It is a tradition we cannot disregard and that is part of the historic collection of our country's democratic triumphs.

The first thing we must recognize is the need for the strong tone used by the government to reply to a communique read by a wax silhouette with a motionless moustache, whom the U.S. State Department entrusts with exerting international pressure when it believes it needs to tighten the ropes of its imperialist conveniences. The national government cannot yield a millimeter of vigor when facing another government led by someone who carries a personal scandal that is also pending a legal outcome.

By observing that consumption is not fought in the United States, because we cannot recall any news that even one of the dealers has been arrested, it would be easy to conclude that both the U.S. police and its justice system are inefficient. But there is something worse: it would confirm the thesis that what annoys gringo government leaders is that the product of massive exports is draining, through laundering, from the bank vaults that swarm Uncle Sam's innards like insatiable insects. This would be the origin of the bulletin-like

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hydrophobic-look Mrs. Reno's face has at times, and that at other times is confused with Mr. Gelbard's unpredictable moods.

If we knew that the United States was following a set of standards when they speak of narcotics production, or when they refer to the government of a producer country that dodges the challenge of ending it, we would recognize their moral authority to question, based on their opinion, the behavior of a sovereign Congress with institutional duties that must be properly fulfilled. But that critical opinion that they wield with the expedient of their national security, covers the invisible strings of a wounded pride that they do not know how to restore, or at what price, after having lost the extradition battle, in which they received lots of solidarity, like ours, but was not enough because they believed that the heaviest burden should fall on the supply and not on the bulky demand for narcotics.

For the empires that are not satisfied with the existence of legal institutions, such as self-determination of the peoples, or their liberty to resist external political harassment, there is always a trait of insolence that compels them towards excesses in their diplomatic behavior. They acquire, in exchange for their expansive impertinence, all the nationalist dislike, however moderate, of the countries closest to their political outlook. Their immense power makes them lose moderation and fidelity to the principles they contradict with an arrogance that forces them to see schisms everywhere.

We Colombians never dreamed that we could be a determining factor in a U.S. presidential election. Unfortunately, we became so because of the infamously large-scale trade of hallucinogens. The Rodriguez Orejuela [brothers] never thought that they would one day replace Joseph Stalin and Nikita Khrushchev in the eye of a U.S. president up for reelection. But President Clinton better be careful, because being a good musician he should know that instruments often reproduce a different note than what appears on the score.

Colombia: Governor Requests U.S. Aid To Fight Drugs

PA3105194496 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1700 GMT 31 May 96

[Report by Javier Vanegas; from the "Caracol's Quarter of Hour" news brief]

[FBIS Translated Text] Medellin — The Government of Antioquia today requested U.S. aid, in the form of equipment and logistical means, to fight drug trafficking. Pedro Juan Moreno Villa, secretary of the departmental government announced today.

[Begin Moreno recording] The governor [bureau files list Alvaro Uribe as Antioquia governor] has asked the U.S. ambassador for aid and cooperation, particularly with the means and material necessary to guarantee the success of all actions carried out by the police, Army, and the Prosecutor General's Office. [end recording]

U.S. Ambassador Myles Frechette participated in the daily security meeting [Reunion Diaria de Seguridad], Redis, with the governor of Antioquia, which took place this morning.

Colombia: Conservative Party Says Samper Guilty as Charged

PA3105232896 Madrid EFE in Spanish 2132 GMT 31 May 96

[FBIS Translated Text] Santa Fe de Bogota, 31 May (EFE) — The Conservative National Directorate [DNC] today issued a communique in which it states that Colombian President Ernesto Samper, of the Liberal Party, "is guilty of having committed several crimes denounced by the prosecutor general."

The communique states: We are declaring this "before the anticipated 'absolution' is announced by the political majorities in the Chamber of Representatives, in a process that has been characterized by wrongful pressure, violation of the law, the distortion of evidence, and open favoritism for the accused."

The president, the vice president, and the secretary general of the DNC, Jaime Arias, Omar Yepes Alzate, and Humberto Zuluaga, respectively, state that their party "having benefited from expert legal advice, analyzed the charges and the evidence" against Samper.

The DNC, "examining the case from a strictly legal point of view, found that, unfortunately, for the nation, there is enough merit to accuse the president before the Senate and to file criminal charges before the Supreme Court of Justice."

Samper has been tried since Tuesday by the plenary of the Chamber of Representatives, which must decide whether it will validate an absolution proposal presented by the Accusations Commission that investigated the president.

The Colombian president has been accused of having been elected in 1994 with monetary help from the Cali Cartel.

The DNC states: "It is evident that in the campaign of Liberal Party candidate Ernesto Samper Pizano there was a scandalous invasion of illegal drug-trafficking money for 1 billion pesos ($1.2 million) during the

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first round and 3 billion pesos ($3.6 million) during the second."

According to the DNC, "the candidate is directly responsible for having secured such sizable amounts of money and for distributing it among regional campaign treasurers."

The DNC says that "this contaminated and immoral financing permitted his victory on 19 June 1994, but at the same time crippled him morally and politically and deprived him of legitimacy."

This is "obviously a case of dishonorable behavior that stains the moral and democratic fiber of the national institutions and breaks an honorable tradition of our chiefs of state."

The prosecutor "has demonstrated that the president is guilty of serious cover-up actions and that he involved three of his closest aides in the hiding of punishable events and the dishonorable behavior that existed autonomously — forging documents, and procedural fraud."

The Conservatives' document refers to Interior Minister Horacio Serpa, Foreign Minister Rodrigo Pardo, and Communications Minister Juan Manuel Turbay.

The DNC communique concludes by stating: If the Chamber "refuses to accuse President Samper before the Senate for his criminal and dishonorable behavior, it would become clear that we are encouraging total impunity, the collapse of justice, and the destruction of our institutions."

Colombia: Conservative Party Communique Says Samper Guilty

PA0206011296 Santa Fe de Bogota EL TIEMPO in Spanish 1 Jun 96

[Received via Internet]

[FBIS Translated Excerpt] The National Conservative Directorate [DNC] has said that, if the Chamber of Representatives refuses to accuse President Ernesto Samper, "it would become clear that we are encouraging total impunity, the collapse of justice, and the destruction of our institutions. Former Venezuelan President Carlos Andres Perez also proposed Samper's resignation.

The DNC definitely distanced itself from the government of President Samper because of the current crisis, and yesterday issued a communique, one step ahead of the Accusations Committee, openly describing him as "dishonorable," according to what is being said, for having taken over the presidency with the financing of drug traffickers.

The document, which was signed by DNC President Jaime Arias, Vice President Omar Yepes Alzate, and Secretary General Humberto Zuluaga Monedero, stated that "this contaminated and immoral financing permitted his 19 June 1994 victory, but at the same time crippled him morally and politically and deprived him of legitimacy."

Before He Is Acquitted

Text of the DNC communique: Before the anticipated "absolution" of the president by the political majorities in the Chamber of Representatives, in a process that has been characterized by wrongful pressure, violation of the law, the distortion of evidence, and open favoritism for the accused — the DNC wishes to make public its stance on the accountability of Dr. Ernesto Samper for several crimes the prosecutor general reported.

With expert legal advice, the DNC analyzed the charges and evidence provided by the Prosecutor General's Office and its subordinated offices and found out, from a strictly legal point of view, unfortunately for the nation, there is enough merit to accuse the president before the Senate and to file criminal charges before the Supreme Court of Justice.

It is evident that in the campaign of Liberal Party candidate Ernesto Samper Pizano, there was a scandalous invasion of illegal drug-trafficking money for 1 billion pesos during the first round of elections and 3 billion for the runoff elections. The candidate is directly responsible for having secured such sizable amounts of money and for distributing it among regional campaign treasurers.

This contaminated and immoral financing permitted his 19 June 1994 victory, but at the same time crippled him morally and politically and deprived him of legitimacy.

This is obviously a case of dishonorable behavior that stains the moral and democratic fiber of the national institutions and breaks an honorable tradition of our chiefs of state.

The prosecutor general has demonstrated that the president is guilty of serious cover-up actions and that he involved three of his closest aides in the hiding of punishable events and the dishonorable behavior that existed autonomously — forging documents and procedural fraud as they criminally alter the accounting reports presented to the National Electoral Council in order to obtain the benefit of recovering electoral expenditures for more than 1 billion pesos.

If the Chamber refuses to accuse President Samper before the Senate for his criminal and dishonorable behavior, it would become clear that we are encouraging total

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impunity, the collapse of justice, and the destruction of our institutions. [passage omitted on Perez's statements]

Colombia: Serpa on Conservative Party Communique on Samper

PA0206200396 Santa Fe de Bogota EL TIEMPO in Spanish 2 Jun 96

[Report by Cesar A. Sabogal R. — received via Internet]

[FBIS Translated Text] The communique issued yesterday by the Conservative National Directorate [DNC] saying that "there is sufficient merit to accuse President Samper before the Senate and then to transfer the criminal case to the Supreme Court of Justice," prompted a strong reaction.

While Interior Minister Horacio Serpa Uribe termed the pronouncement of DNC President Jaime Arias Ramirez as an invitation to engage in a breach of official duty," [quotation marks as published] Liberal Party President Emilio Lebolo said that behind the communique "is a gang of Conservative Party members trying to weaken due process."

"The group led by Dr. Jaime Arias — and I am saying that this is from only one group because the New Conservatism group also exists — has issued a declaration marked by that group's sectarianism, to the point that it urges his friends to commit a breach of official duty," Serpa commented.

For the minister, the pronouncement that the DNC issued last Friday means that the party wants to sentence the president of the Republic "at any rate, that is, without taking into consideration the aspects surrounding the process or the evidence."

He added: "The Liberal Party leadership assumed a very different attitude. In light of the importance of this affair and showing great respect for the law, the party's leadership asked fellow party members not to assume a party position but to vote according to their consciences, carefully examining the contents of the case and the principles of equity."

In the meantime, the president of the Liberal National Directorate affirmed that by disavowing the institution of the Chamber of Representatives, the DNC seeks to "undermine the norms and begin a path toward anarchy, with unpredictable consequences."

Meanwhile, the Liberal Party Ethics Control Council will notify Valle del Cauca Representative Yolima Espinosa that her provisional suspension from the party has been revoked, after justice entities did not find sufficient merit to implicate her in any criminal proceedings.

Colombia: Liberal Leader on Conservative Party Communique

PA0306004496 Madrid EFE in Spanish 0053 GMT 2 Jun 96

[FBIS Translated Text] Santa Fe de Bogota, 1 Jun (EFE) — Emilio Lebolo, president of Colombia's Liberal Party, today accused its rival Conservative Party of "encouraging its congressmen to break official duty" and of seeking "electoral spoils."

Lebolo believes the Conservatives have adopted a "dangerous" position in the parliamentary trial of Liberal President Ernesto Samper, whose responsibility in the alleged financing of his campaign with drug-trafficking money in 1994 has been debated at the lower house of Congress since last Tuesday.

The Liberal Party president thus replied to a communique issued on Friday by the National Conservative Party Directorate asserting that the president should be charged with "dishonorable behavior" and that he should be accused at the Supreme Court of Justice, which should determine his legal responsibility.

Lebolo said that the Conservative Party leadership, with its communique, "invites (conservative lawmakers) to break official duty" and repudiates the Chamber of Representatives' legitimacy," an action equivalent to "repudiating the law of laws."

Lebolo continued to say that this position marks the beginning of "a road leading to anarchy with unpredictable consequences." He said that several conservatives — including Andres Pastrana, Samper's opponent in the 1994 elections — attempt to weaken the due process and cast a false image of the reality of the trial. What must prevail, however, is caution and obedience to the court's ruling, regardless of the decision."

Lebolo further said that the Conservative Party "seeks electoral profits," but that the party "must understand that the political party confrontation begins as soon as the trial against Samper ends."

Lebolo urged the Conservatives to "abandon sectarian feelings and work wisely and with common sense" for the country.

In turn, Jaime Arias, president of the Conservative Party's National Directorate said the party's congressmen will be free to vote in the final session scheduled for next Friday because the party "wants them to act according to law and to their consciences."

Arias said their communique, released on Friday, "intended to make known the party's opinion to the country, but that this opinion does not have to coincide with that of our parliamentarians."

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Colombia: Samper 'Certain' of Acquittal by Chamber

PA0206223996 Mexico City NOTIMEX in Spanish 1954 GMT 2 Jun 96

[FBIS Translated Text] Santa Fe de Bogota, 2 Jun (NOTIMEX) — Colombian President Ernesto Samper today said that he is certain that the Chamber of Representatives will acquit him in the trial it is conducting against him for reports on drug-trafficking contributions to his political campaign.

In a powerful speech he delivered to dozens of peasants who applauded him in the tourist town of "La Mesa," Samper pointed out that the media condemned him in advance "possibly to influence the congressmen's decision."

Before 9 June, the Chamber of Deputies will decide if it will shelve the case or try Samper for his alleged participation in the entry of illicit funds into the election campaign that brought him to power in August 1994.

The Colombian president asked for respect for due process and said that "on the eve of the end of a trial, as never before, a number of statements have been made that make it impossible to have an impartial ruling."

He was referring to the statements made by leaders of the opposing Conservative Party who this week described as a "farce" the debates the Parliament is holding and requested his conviction in advance. "I invite everyone to allow this painful chapter of our recent history to have an institutional end," the president stressed after insisting on his innocence.

The Colombian president was accused by two former aides from his political campaign of allowing the infiltration of $6 million from the Cali cartel into his election campaign in June 1994 and of participating in the distribution of these funds.

In his speech delivered on Peasants Day in Colombia, Samper affirmed that "if I am acquitted, as I probably will be, it would not be because of lack of evidence, but because, as I have insisted from the beginning, I am innocent and will continue to be innocent."

Political observers are almost certain that the lower Chamber will acquit President Samper, because 93 of its 165 members belong to the Liberal Party, which is the same party that helped the accused win the elections.

In a spirited speech interrupted by the peasants' applause, Samper said that last week "the right to my defense was determined to be ignored, as the participation of my attorney (Luis Guillermo Nieto) in the debates Congress became controversial.

On 31 May, Colombian Prosecutor General Alfonso Valdivieso warned that the trial could be annulled if the legislative branch allows the president's legal counsel to speak during the session preceding the final vote.

Colombia: Court President Views Trial Against Samper

PA3105170996 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 31 May 96

[Telephone interview with Constitutional Court President Carlos Gaviria Diaz by Caracol News Director Dario Arizmendi and reporters Javier Ayala and Judith Sarmiento in the network's studio in Santa Fe de Bogota; from "Caracol's 0600 to 0900" newscast — live]

[FBIS Translated Text] [Arizmendi] Is the court divided on the public or secret nature of the vote at the Chamber of Representatives in the trial against the president?

[Gaviria] I still cannot say, because this issue has not been voted on yet. The decision has fundamentally centered on the procedure. Two of the magistrates believe they still did not have enough information to make a decision; therefore, they requested a motion for a delay, a feature established in Article 34 of the court's regulation, Subparagraph 5, establishing that any magistrate may request a motion for a delay in order to receive more information to make a decision. In this case, the discussion will be suspended for up to eight days. We have reached an agreement to resume sessions on 3 June, and a decision will be made that same day.

[Arizmendi] What we do know is the sense of the remarks by Magistrate Vladimiro Naranjo, the magistrate proposing this motion.

[Gaviria] I do not know how you may be aware of it, but if you are aware of it, good for you.

[Arizmendi] Don't you favor this opinion?

[Gaviria] I do not want to disclose anything that went on at the session before a decision is made.

[Arizmendi] Why did the court decide to discuss this issue just as the trial against the president at the Chamber is just getting under way?

[Gaviria] For one reason. It is evident that the entire country is anxiously expecting the results of the case in Congress against the president of the Republic. It is also evident that the court's decision may influence the course of the case; therefore, given that the attorney general had already issued his opinion, the magistrate presenting this motion has strived to present it quickly, although the term for making the decision and then for

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the court to decide was far from expiring. At the session yesterday, several magistrates asked me to include on the day's agenda the motion Magistrate Vladimiro Naranjo distributed yesterday, and we reached a consensus that this point should be included on the day's agenda.

The disagreement of the two magistrates to which I am referring centered not so much on the fact that we could begin discussing the project, as was done, but in making a decision yesterday.

[Ayala] What may happen if from here until 3 June the Chamber of Representatives, before the Constitutional Court issues its ruling, votes on determining the charges in the case against the president?

[Gaviria] The court cannot prevent the chamber from acting in such a way if it deems it appropriate; this would be undue interference from one state branch in the affairs of another. I believe this would be regrettable, because the idea is to make the rules that should be applied in the case against the president clear, regardless of the court's ruling.

[Sarmiento] I heard you say a short while ago that you did not want to comment in this regard and preferred to respect the autonomy of the Chamber of Representatives to deal with this issue, but representatives should vote at least on whether to wait for the ruling or to continue with the procedure that already has started in the chamber.

[Gaviria] In reality, I would not want to comment on this point, because my opinion may be viewed as undue inference in the decisions of another state branch, but, of course, I believe your question indicates a very logical possibility.

[Arizmendi] Jorge Arango Mejia asked that the decision be postponed, because he did not have enough information to vote, but there is suspicion in the sense that that decision or request from Arango Mejia somehow had to do with a recent diplomatic appointment for his son. What is your comment?

[Gaviria] I believe those speculations must be discarded. I, personally, discard this possibility, because I do not admit doubts about any of my colleagues. I know Jorge Arango personally. I know he is an honest person whose decisions are guided by the most pure, juridical guidelines or the interests of the fatherland. Consequently, I believe those speculations must be discarded, because, as I said, I know each of the members of the court very well and believe any observation in this regard is ill-intended.

[Ayala] We understand a pronouncement from the Constitutional Court is coming on the debate going on in the country regarding illegal enrichment. Is it true a national emergency also was declared in this regard, concerning a study from the court? And when will that pronouncement be made?

[Gaviria] True, this case was declared a national urgency. I could not tell when this case will go to the court plenum, because the secretariat determines the term for making a decision, but I believe it will be decided in less than one month.

Colombia: Businessmen To Ask Samper To Leave

PA3105150396 Santa Fe de Bogota EL TIEMPO in Spanish 28 May 96

[Received via Internet]

[FBIS Translated Text] Cali — Valle del Cauca businessmen, political leaders, and personalities yesterday agreed to devote time, economic resources, and legal instruments to expedite President Ernesto Samper's departure, in the beginning of what they called a "Crusade for the Moral and Institutional Rescue of Colombia" [Cruzada por el Rescate Moral e Institucional de Colombia].

Through a communique issued at the end of a meeting held in San Fernando Club in which more than 2,000 people from various institutions participated, it was decided to promote a national agreement "that will facilitate the chief of state a dignified departure and will define who will replace him within a legal and institutional framework."

The movement started being organized more than 15 days ago when various representatives from the business, civil, and university sectors decided to launch the Crusade in Cali as one of the last alternatives to definitely resolve the country's political and economic crisis.

Rodrigo Lloreda, regional daily EL PAIS director, and German Holguin Zamorano, Permanent Business Committee [Comite Empresarial Permanente] president, who received death threats weeks ago when he proposed a businessmen's strike to force Samper to resign, among others, are the most enthusiastic promoters of this idea.

In addition, association leaders Ricardo Villaveces Pardo, Association of Colombian Sugarcane Growers (Asocana) president; Rosa Jaluf de Castro, National Federation of Businessmen (Fenalco) regional president; Harold Zangen, from the Fez Leadership Institute; Henry Eder, from the ANDI [National Association of Industrialists] regional Board of Directors; and two

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members of the Carvajal Family, who own Carvajal and Company, are members of the movement. Likewise, Senators Claudia Blum and Juan Martin Caicedo Ferrer and Carlos Holguin Sardi, former Valle del Cauca governor and National Governors Federation president, are members of the Crusade, as well as such Valle del Cauca personalities as Priest Gonzalo Gallo, various Cali civic sectors, and columnist and cartoonist Consuelo Lago.

In order to trigger a major impact on public opinion, the Crusade's promoters hired the services of a renowned advertising agency, which eight days ago started coordinating the meeting businessmen and community leaders will hold. The organizers also invited the Antioquia industrialists who on 24 April held a similar meeting in Medellin to suggest Samper's withdrawal. To make public this initiative, the businessmen paid for a page-long advertisement in the 8 May edition of EL COLOMBIANO daily. This coincided with Samper's visit to the capital of Antioquia Department.

This is why the Crusade's promoters asked Antioquia businessmen Hernan Echavarria, Corona Foundation president, to deliver a speech at the end of the event.

According to Rodrigo Salazar, Acopi [Colombian Association of Small Industries] director in Valle del Cauca, "if President Samper clings to the presidency, by the time his term ends, he will be ruling over the remains of mid- and small-scale businesses." Salazar explained that, due to the political crisis' effect on the economy, approximately 80 percent of the businessmen affiliated to Acopi had a decline in sales during the first four months of the year, while 51 percent of them had to fire workers.

"We are convinced that an individual who has violated the law cannot rule a nation," Salazar pointed out, stressing that Acopi's position is to "fearlessly" demand Samper's resignation. He also affirmed that "we want high-ranking government officials to leave their desks and realize that businessmen did not make up the economic crisis."

The signatories of the communique believe that the country's ethical and moral deterioration adversely affects all sectors, particularly political activities, to the extreme of having drug money infiltrate the highest government levels, thus eliciting both moral and institutional consequences.

Once the president leaves and his replacement is chosen according to constitutional guidelines, the Crusade's members believe that "the task that cannot be postponed of rebuilding Colombia" might be undertaken.

Colombia: Liberal Party Expels Botero, Medina

PA0106170896 Madrid EFE in Spanish 1430 GMT 1 Jun 96

[FBIS Translated Text] Santa Fe de Bogota, 1 Jun (EFE) — Former Defense Minister Fernando Botero, director of the 1994 electoral campaign of President Ernesto Samper Pizano, was expelled from the ruling Liberal Party.

The Liberal Ethics Control Council expelled Botero, son of the well-known painter of the same name, and campaign treasurer Santiago Medina "for betraying the party," local media reported today.

Botero and Medina, who have been under arrest since 1995, confessed that Samper's campaign received millions of dollars from the Cartel drug Mafia and are accusing the president of having requested the donation of "dirty money."

Samper denies the charges by Botero and Medina and has suggested that they could have stolen the money sent by the Cali drug traffickers.

In addition, the Ethics Control Council summoned Interior Minister Horacio Serpa, Foreign Minister Rodrigo Pardo, and Communications Minister Juan Manuel Turbay to explain their actions as executives of Samper's electoral campaign.

Last month, a prosecutor of the Supreme Court found grounds to indict them with the charge of cover-up and ordered "a custodial measure consisting of releasing them on their own recognizance," a legal procedure that aims to keep defendants from evading justice.

Among other obligations, Serpa, Pardo, and Turbay must inform the prosecutor of any trip.

According to the Liberal Party's Code of Ethics, a party member who is the subject of a legal action "involving a custodial measure such as a bail," or "who is released on his own recognizance" must be expelled or suspended from the party.

In the past 12 months, this Council suspended over 10 lawmakers, who have been indicted — and eight of them are already in prison — for funneling drug money into the 1994 electoral campaign.

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Colombia: Communique on Samper Meeting With Ex-Minister

PA0106004896 Santa Fe de Bogota Radio Cadena Nacional in Spanish 2330 GMT 31 May 96

[Report by Luis Eduardo Maldonado; from "The Latest News"]

[FBIS Translated Text] The national government has just issued a communique clarifying that President Ernesto Samper's meeting with former Minister Juan Manuel Santos at no time sought to seek or achieve a political agreement. Instead, its objective was to exchange opinions on the country's situation. This is the text of the communique:

President Ernesto Samper Pizano and former Minister Juan Manuel Santos held a cordial meeting today. In the meeting, they analyzed the country's situation, the characteristics of the crisis, and the options to overcome it. Former Minister Santos reiterated his public opinions about the current conditions of governability. The president responded with his own arguments, indicating the factors that, in his view, guarantee the continuity of the democratic and constitutional institutions.

The meeting, the communique added, did not seek to achieve any agreement, but was simply the continuation of a series of contacts and consultations the president has been undertaking regarding the national situation.

[Issued] Narino House, 31 May 1996.

Colombia: Agent on Extradition of Drug Traffickers

PA3105194796 Santa Fe de Bogota EL TIEMPO in Spanish 31 May 96

[Received via Internet]

[FBIS Translated Text] Former Conservative Party candidate Andres Pastrana says he will not heed the ruling. Senator Fabio Valencia Cossio, president of the National Conservative Directorate, said the Conservatives will remain in the opposition regardless of the outcome. The Liberals propose a political trial.

Attorney Fernando Gomez Gomez, special agent of the Attorney General's Office in the Ernesto Samper process, said that Colombia is lagging in the application of extradition measures, the only weapon traditionally feared by the drug traffickers.

His position is contained in a 79-point document expanding his closing arguments, which he gave Rodrigo Rivera, president of the Chamber of Representatives.

Gomez stresses in his document that the extradition treaty is alive in keeping with the international law currently in effect and the fact that it is not being complied with constitutes a violation of the Vienna Convention on agreements between countries.

He also strongly criticized the attitude assumed by the U.S. Government with regard to Colombia following the political crisis.

He said the Clinton administration's decision to decertify the government of President Samper is really unfair because it has been the only one that has been able to dismantle in record time the most powerful criminal organization in the world: the Cali cartel.

Finally, Gomez asked the Chamber of Representatives to rid itself of passions, disregard the gossip that has circulated regarding President Samper's alleged links to the drug traffickers, and hand down a conscientious ruling in keeping with the law.

Andres Will Not Heed Ruling

In addition, there is no doubt: besides the president's trial, important political movements are being made that will be crucial when the time comes to decide the fate of the government after the Chamber of Representatives hands down its ruling.

There are three fresh elements to bear in mind: the position of Andres Pastrana in the sense that he will not heed the Chamber's ruling; Senator Fabio Valencia Cossio's visit to Narino Palace; and the internal discussions at the Liberal Directorate.

Pastrana, who is touring the country, said in Barranquilla: "My conscience, and, I would add, my rights as a citizen, cannot accept that persons, who were not disqualified thanks to the jugglery of the Ethics Committee of the Chamber of Representatives and who were elected with drug trafficking money, can morally legitimize those who were elected thanks to drug trafficking money."

Meanwhile, the visit paid to Narino Palace by Fabio Valencia Cossio, one of the most astute Conservative senators, caused concern in the ranks of his party.

Valencia is a member of the National Conservative Directorate. He always believed in cooperating with the government but was defeated as soon as former Defense Minister Fernando Botero spoke against President Samper. That was when the Conservatives withdrew from the government.

"The Conservatives will remain in the opposition regardless of the Chamber's ruling," said Valencia, who added that the best solution is President Samper's departure.

Sources from Narino Palace said that Valencia's visit could be the start of a discussion on governability.

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Moreover, Ines Gomez de Vargas, Elizabeth Rico, and Luis Guillermo Giraldo Hurtado, members of the Liberal Directorate, asked the president of that directorate, Emilio Lebolo, to convene a meeting to examine the political implication of the incidents that are currently being debated at the hearing against the president.

Colombia: Guerrilla 'Plot' Said Behind Recent Violence

PA3105122096 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1700 GMT 30 May 96

[Report by Carlos Gomez Herrera; from "The Midday Newscast"]

[FBIS Translated Text] Santa Fe de Bogota — The authorities have reported that 10 persons have died in three acts of violence in El Valle, Antioquia, and Santa Fe de Bogota.

Five persons were murdered this morning by unidentified persons on the road from Cali to Palmira. South of the capital, two guerrillas and one policeman died when the Eastern Front of the Revolutionary Armed Forces of Colombia [FARC] tried to set up a roadblock in the industrial zone of Tutka. And, in Uraba, an armed group murdered two workers and kidnapped four from a banana farm.

National Police Director General Rosso Jose Serrano Cadena revealed a few minutes ago that the violence that has emerged in several sectors of the capital and which has been kept under control by the public forces, is part of a terrorist plot that was to be implemented in the capital this coming weekend.

[Begin Serrano recording] They had plans to do many things this weekend, but they have not been able to because of the control we have. We have alerted the people and the military forces. I think we have the situation under control. We are still providing special services at the Chamber of Representatives. [end recording]

At this moment, General Serrano is signing a cooperation agreement between the National Police and the Administrative Department of Public Functions [Departamento Administrativo de la Funcion Publica].

Colombia: Columnist Laments Country's Image Abroad

96SM0321A Santa Fe de Bogota EL TIEMPO in Spanish 28 May 96

[Commentary by Lucy Nieto de Samper — received via Internet]

[FBIS Translated Text] Colombia's image abroad is at rock bottom. I confirmed this with immense grief. And it is not exactly due to the activity of the "mules" who, so often, out of necessity and risking their lives, carry drugs in their intestines. The cause is the corruption and violence, having a president elected with "narco" money, and having the ex-director and ex-treasurer of the "Samper for president" campaign, the attorney general, an ex-comptroller, congressmen, and ex-diplomats in jail. These indignities are not mere dirty linen to be washed at home, but rather disastrous realities that cannot be counteracted with pretty speeches about what this country was like: decent and admired.

In an attempt to conceal so much disgrace, the government and its supporters are foisting the blame for all the ills on the slanderous "conspirators." And, little by little, with the aid of prolific, eloquent pens, such as those of my neighbor, [EL TIEMPO columnist] D'Artagnan, they have convinced themselves that there is nothing else here but a plot aimed at overthrowing virtuous Ernesto Samper, the father of the downtrodden. And he, an expert at manipulating information and convincing people of the whiteness of what the majority see as black as coal, seems to me to be starting to address his supporters on weekends in the provincial dialect, as Eva Peron used to address her "little grubby ones."

In the interesting self-criticism made by the media regarding its treatment of case 8000, I think that it should have analyzed the manner in which the president handled each one of the events, because he was to a great extent the cause of the information being sidetracked. From the outset, he managed to put himself in a world apart, as if on a cloud, to which he was driven by his supporters. And they, behind his back, violated official regulations, receiving tons of banknotes which, with eyes closed and without his knowledge, were donated out of sheer generosity by the Cali Cartel chiefs to do him the favor of helping him be elected president.

Therefore, the president is not guilty of anything, but is rather a victim of the prosecutor general and the voracious conspirators who had the temerity to be shocked at what had happened. This is why he is a winner today, because the House Accusations Commission, headed by Mogollon and Meneses, managed to obtain a request for

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quashing the charge brought against the president, by a vote of 10 to three.

A few months ago, the BBC in London aired the cassette tape of candidate Samper's conversation with the "charming blonde." And, we might say, as a very coarse display, last week on the same channel Mockus appeared with his rear end exposed.

"That is Colombia, Pablo," Neruda was told by the poet, Jorge Rojas, while showing him the Colombia of the time. But the Colombia that has been shown on British TV is something else. Is it that nothing has happened here, and that it was all a matter of stories and slander on the part of conspirators? Is it that the disgrace being brought by the "mules" on their own families is more serious for the country than these other disgraces? Is it that we are being slandered by foreign television and newspapers?

Ecuador

Ecuador: Deputy Minister on Rejection of Helms-Burton Law

PY3105191496 Quito Voz de Los Andes in Spanish 1700 GMT 31 May 96

[FBIS Translated Text] Ecuador has rejected the Helms-Burton Law approved in the United States. Patricio Izurieta, deputy minister of Ecuadoran international economic relations, has said in Caracas that the Helms-Burton Law, which strengthens the economic embargo against Cuba, does not benefit trade relations in the Americas.

We believe that any unilateral measure intended to restrict trade is against the free trade ideas Ecuador advocates, and thus we cannot accept the Helms-Burton Law, Izurieta said.

The Ecuadoran deputy minister is in Caracas participating in a round of trade negotiations between Ecuadoran and Venezuelan businessmen, in an effort to tighten bilateral trade relations.

According to Izurieta, Ecuador, as a member of the Rio Group, agrees with all terms of the rejection of the Helms-Burton Law expressed by this Latin American organization in the recent meeting held in Cochabamba, Bolivia.

At the closing session of the meeting, the Rio Group agreed to categorically reject the Helms-Burton Law, and decided to prepare a number of collective measures to face it.

Concerning trade relations between Ecuador and Cuba, Izurieta explained that currently they are on a very good level, and we recently signed a bilateral agreement that will increase trade between our two countries.

This agreement will facilitate the entry of certain products in the two markets — the Ecuadoran and Cuban markets — with preferential treatment, stressing the spirit prevailing in the two countries to strengthen our trade relations.

Ecuador: Reported Violation of Peruvian Airspace Denied

PY3105192596 Madrid EFE in Spanish 1752 GMT 31 May 96

[FBIS Translated Text] Quito, 31 May (EFE) — The Ecuadoran Defense Ministry today denied Peruvian Foreign Minister Francisco Tudela's remarks in Bolivia to the effect that Ecuadoran aircraft presumably violated Peruvian airspace in April.

A Defense Ministry source who did not want to be identified told the Quito newspaper EL COMERCIO that "the Peruvian foreign minister's denunciation is absolutely groundless."

The source added that the Peruvian representative to the Ecuador-Peru Military Observers' Mission (MOMEP) has not reported to this mission about the supposed flight of Ecuadoran planes over Peruvian territory.

The source said: "He has not reported simply because there was no Ecuadoran incursion into Peruvian airspace."

Speaking in Bolivia, Tudela said that the MOMEP was already informed about the presumed Ecuadoran incursions, which must be either confirmed or denied by that international mission.

Ecuador and Peru are negotiating a peace process in the wake of the undeclared war between 26 January and 28 February 1995 resulting from a dispute over a portion of territory on the Amazon border that has no border markers.

Paraguay

Paraguay: U.S. Ambassador's Remarks Prompt Chamber Debate

PY3105151996 Asuncion NOTICIAS in Spanish 31 May 96 pp 6-7

[FBIS Translated Text] U.S. Ambassador Robert Service's report on rampant corruption in Paraguay prompted a harsh debate in the Chamber of Deputies. Deputy Gilberto Vazquez of the PLRA [Authentic Radical Liberal Party] submitted a draft resolution calling for a meeting of the three branches of the state

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— executive, judicial, and legislative — to urgently address "the corruption issue and the policy to deal with it."

Several deputies of the opposition and the ruling party stated their position. Most of them felt that it is time to address this burning national issue. PLRA Deputy Hermes Rafael Saguier accused the opposition [which includes his own party] of complicity with corruption, while Deputy Eduardo Ibarra de Barros, of the ruling Colorado Party, admitted that to some extent the ruling party was to blame. There was some talk of an anticorruption front.

Members of the lower chamber harshly criticized the current state of rampant corruption in Paraguay, and stressed the need for an urgent analysis. Several deputies spoke out against the prevailing situation.

Deputies belonging to various blocs took the floor on 30 May to state their opinion. Some of them proposed "starting a debate on the subject," while others adopted a lukewarm position indicating that "Congress as a whole, not just the Chamber of Deputies, should decide on this matter."

The PLRA deputies were in favor of debating a draft resolution which stated that the time had come for the three state branches to focus on the corruption issue.

Even the ruling party bloc did not react badly to the idea. On the contrary, Deputy Eduardo Ibarra de Barros, vice chairman of the Colorado Party bloc, admitted that to some extent his party was to blame for the corruption. He refuted, however, the opposition's charges of generalized corruption.

PLRA Deputy Hermes Rafael Saguier harshly criticized the role played by the country's politicians, particularly by the opposition, which he accused of complicity with corruption.

In view of the critical situation that Deputy Saguier outlined, his fellow party member Deputy Gilberto Vazquez proposed a draft resolution calling upon "the three branches of the state to study the corruption issue and the policy to deal with it."

Although Vazquez asked that his draft resolution be debated immediately, it was agreed that it will be discussed during the chamber's ordinary sessions next week.

The credentials, regulations, and petitions committee will have to study Deputy Vazquez's draft resolution. This resolution seeks to awaken the interest of the three branches of the state, and to hasten action in the quest for a lasting solution to the country's severe loss of institutional prestige, particularly because of the prevailing impunity, the cases of corruption, the cases of bank fraud, and other illegal activities that harm the people at large.

The proposal basically calls for an urgent joint meeting of the three branches of the state to specifically discuss the corruption issue and the policy that should be implemented following the conclusion reached by the representatives of the nation. The possibility of an anticorruption front, supported by the three branches of the state, was discussed.

Upon submitting the draft resolution Deputy Vazquez stated that corruption is getting worse in state organizations so it is necessary to put an end to it.

Paraguay: Editorial Hails U.S. Envoy's Dissertation

PY3105182196 Asuncion NOTICIAS in Spanish 31 May 96 pp 6-7

[Editorial: "A View of the Country's Reality"]

[FBIS Translated Text] The U.S. ambassador recently spoke about the overall situation in Paraguay. He praised the way in which the late April political-military crisis was resolved, the elections of the Colorado Party, and the fact that because of these two events democracy in the country has gained strength. He viewed the announcement that U.S. aid to Paraguay has been increased as a sign of support for the administration and Paraguay's democratic process.

It was obvious, however, that the point of the dissertation was to convey what he called "concerns" over the situation of the country. The title of his dissertation was eloquent enough: "How To Improve a Solid Relationship Even Further." Thus, he listed several situations — none of them new — which epitomize how things stand from the U.S. official point of view, which is shared by the international financial community.

Among other things, he underscored the problem of corruption. He said that the struggle against corruption will be difficult and protracted, particularly since the political system of the country has allowed it to flourish for a long time. He pointed out that there were many reports, few arrests, and no convictions. This is a neat summary of the situation. Although diplomatic protocol prevented the ambassador from making it any clearer, it is obvious that he is disappointed because very little has been done.

The issue of justice can be tied to the above subject. Speaking of the judicial branch, the ambassador said that "once capable and independent judges start enforcing existing laws fairly and equitably, the reputation that Paraguay's courts have of being arbitrary will fade into

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the past." If one were to pay close attention to what he said, one would understand that the ambassador is still waiting for the new judiciary to go into action.

The diplomat also talked about the oversized state. He indicated that 50 percent of the country's economic activities were controlled by the government through state-owned corporations. He pointed out that these corporations received most of the money available for investments under the best possible terms, which left the private sector short of affordable lines of credit to finance productive investments. Thus, he emphasized the need for privatization, both to generate the funds that the state needs and to improve the quality of the services and eliminate the burden that public companies will become in the future because they will have to be modernized, and this will not be possible for lack of money.

The ambassador discussed the country's financial system and acknowledged that the new banking law was a positive development. He made it clear, however, that the law itself was not enough to overcome problems, and to provide the feeling of security that could attract foreign investors. He even told his audience that they must play a role in this: "It is now up to you, members of the business and banking communities, to abide by the provisions of the law. The investors will not be fooled by the mere existence of an appropriate law on paper."

It was a very interesting dissertation. Very few diplomats have publicly stated their opinions as candidly as the U.S. ambassador has done.

Peru

Peru: Finance Minister Evaluates Foreign Tour

PY3105165396 Lima GESTION in Spanish
27 May 96 p 6

[FBIS Translated Excerpt] Economy and Finance Minister Jorge Camet, who appeared yesterday on the television program "Sunday Magazine," justified the road show [preceding two words in English] last week in England and the United States to show the achievements made by Peru. He said: "It is practically mandatory to go out to show the new Peru because we want to attract investors."

Camet said that the various investors he met represent investments worth $3 billion.

He recalled that the investors consider the emerging Latin American markets as a single geographical zone, and that this is why it was necessary to explain that the case of Peru is different than that of Mexico, in clear reference to the Tequila Effect. He added: "I don't believe we will get investments immediately, but we prepared the ground work."

Asked if the investors' desire to come is being affected by the slowing down of the economy, Camet replied that several countries, such as China and Brazil, have been forced to reduce the rhythm of their growth.

Camet explained that the growth rate of the GDP must be steady, and that, in this regard, the government projects, as of 1997, an annual rate of 6 percent.

He also reiterated that growth creates problems for the external sector and increases the deficit of the current account balance. He said that by reducing the growth of the Peruvian economy, there was also a reduction in the deficit of the current account, from 7.2 percent of the GDP in 1995 to 6.2 percent of the GDP in the first quarter of this year.

The latest report of the U.S. Morgan Stanley Bank says that the investors are most interested in knowing when the expansion of the Peruvian economy will start again. The report predicts that this will occur in the second half of this year.

Regarding the foreign debt, Minister Camet reiterated the value of the Brady Plan, whose financing program concluded last week in New York.

He also said that the current administration only created a debt of $700 million and that the remaining debt was inherited from previous administrations, as was already reported by Prime Minister Alberto Pandolfi in Congress.

Camet was asked, despite the good news, when there will be more employment and higher salaries for the public sector.

Camet answered by recalling the difficult situation of the economy in 1990. He added: "Peru is a country in the world with the fastest recovery and the recovery from the starting point (1990) represents a process of 10 years."

When he was asked if it will be possible to see the light at the end of the tunnel in 1997, Camet said definitely yes. He added: "With the adjustment made this year, we are securing the future." [passage omitted]

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Peru: IMF Director Arrives, To Discuss Letter of Intent

PY3105192796 Lima Radio Programas del Peru Network in Spanish 1700 GMT 31 May 96

[Live relay by Richardo Gomez from Lima International Airport]

[FBIS Translated Text] Reelected IMF Director Michel Camdessus arrived a few minutes ago at the special invitation of President Alberto Fujimori to deal with the letter of intent and to visit a city of the interior of the country that is still to be determined.

During his visit to Lima, Camdessus will meet with Economy Minister Jorge Camet, who will formally hand over to him the letter of intent and the annexes that were recently published, among them the approval procedure that will be internally treated by the IMF.

Venezuela

Venezuela: UK Official Arrives, Discusses Helms-Burton Law

PA3105204996 Madrid EFE in Spanish 1828 GMT 31 May 96

[FBIS Translated Text] Caracas, 31 May (EFE) — The UK is "firmly opposed to the United States' Helms-Burton law," which intensifies economic measures against Cuba, because "it is an attempt to exert foreign pressure on the multinationals trying to operate in the country," an official spokesman said today.

Sir Nicholas Bonsor, the British deputy minister of foreign affairs [title as received], who began an official visit to Venezuela last night, said the Helms-Burton law "does not contribute to economic development." Bonsor added that "even though it is an internal matter of the United States, we believe all countries must state their position on this law."

The UK official today met Venezuelan Foreign Minister Miguel Angel Burelli with whom he talked about various matters of bilateral interest as well as about drug trafficking in the world.

Likewise, Bonsor said one of the matters discussed with Burelli was "the situation of the Malvinas Islands," which were the object of a war between the UK and Argentina in 1982. He did not say how the conversation went.

He said his visit has the primary objective of tightening bilateral relations in all fields and said many British businessmen are interested in investing in Venezuela, particularly following the possible agreement reached between this nation and the IMF.

Venezuela: Visiting UK Official Views Helms-Burton Law

PA0106043396 Caracas Venezolana de Television Network in Spanish 0230 GMT 1 Jun 96

[Report by Zulay Rosas]

[FBIS Translated Text] The British Government will continue exerting pressure on the U.S. Government to get the Helms-Burton law eliminated. The Helms-Burton law seeks to punish businesses worldwide that maintain any sort of commercial activity with Cuba.

Sir Nicholas Bonsor, minister of state at the Foreign and Commonwealth Office, is in our country to further strengthen existing ties between the United Kingdom and Venezuela. He met with the president and discussed the topic of drug trafficking. Minister Bonsor believes that this scourge should be fought together with Venezuela and other Latin American countries, to prevent its spread.

Regarding the Helms-Burton law, he stated that enforcing it would bring about results that are totally opposite of what the U.S. authorities intended when it was enacted.

[Begin Bonsor recording in English followed by passage by passage translation into Spanish] We are examining ways to protect the interests of our businesses, which could be affected by this law. We are also using our U.S. contacts; in other words, our friendship with the United States and the U.S. administration, U.S. legislators, to convince them to change this law. [end recording]

But the British Government does not believe that there will be a change in the U.S. position regarding this law until after the U.S. elections.

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